

Senate Bill No. 78

CHAPTER 19

An act to amend Sections 1240, 1622, 1623, 1624, 35160.5, 35736, 35757, 41203.7, 41320.1, 41329.55, 41341, 41344, 41376, 41376.1, 41544, 42127, 42127.1, 42127.2, 42127.3, 42127.8, 42238.01, 42280, 42282, 42283, 42284, 42285, 42286, 42287, 45037, 46602, 46603, 47630, 47630.5, 47635, 47663, 48310, 48359.5, 52315, 52319, 52327, 52329, 52334, 52335, 52335.12, and 63001 of, to amend the heading of Article 7 (commencing with Section 60117) of Chapter 1 of Part 33 of Division 4 of Title 2 of, to repeal Sections 1242, 1242.5, 2509, 2550, 2550.1, 2550.2, 2550.4, 2550.5, 2550.6, 2550.7, 2551.3, 2557, 2557.5, 2558.1, 2558.3, 2558.4, 2558.45, 2558.46, 2558.5, 2558.6, 14022.5, 33128.2, 35735.3, 41209, 41334, 41338, 41610, 42238.4, 42238.41, 42238.42, 42238.43, 42238.44, 42238.445, 42238.45, 42238.46, 42238.48, 42238.485, 42238.49, 42238.7, 42238.8, 42238.9, 42238.95, 42238.11, 42238.12, 42238.13, 42238.14, 42238.145, 42238.146, 42238.17, 42238.23, 42239, 42240, 42240.1, 42241.3, 42241.7, 42243.7, 42244, 42245, 42281, 42303, 42604, 46201.1, 52324, 52324.5, 52335.1, 52335.2, 52335.3, 52335.4, 52335.5, 52335.6, and 60117 of, to repeal Article 3.5 (commencing with Section 2560) of Chapter 12 of Part 2 of Division 1 of Title 1 of, and to repeal Article 4.5 (commencing with Section 42290) of Chapter 7 of Part 24 of Division 3 of Title 2 of, the Education Code, relating to education finance, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[Approved by Governor June 24, 2015. Filed with
Secretary of State June 24, 2015.]

LEGISLATIVE COUNSEL'S DIGEST

SB 78, Committee on Budget and Fiscal Review. Education finance: local control funding formula.

(1) Existing law establishes the public school system in this state, and, among other things, provides for the establishment of county superintendents of schools, school districts, and charter schools throughout the state and for their provision of instruction at the public elementary and secondary schools these local educational agencies maintain. Existing law, before July 1, 2013, established a public school financing system that required funding for county superintendents of schools and school districts to be calculated pursuant to a revenue limit, as specified, and required funding for charter schools to be calculated pursuant to a general-purpose entitlement, except as provided, and required the revenue limit and general-purpose entitlement to be composed of, among other things, state aid and certain local revenues. Existing law also establishes various categorical education programs under which funding was provided for specific educational purposes. Existing

law, commencing July 1, 2013, revised and recast the provisions related to the public financing system by requiring state funding for county superintendents of schools, school districts, and charter schools that previously received a general-purpose entitlement to be calculated pursuant to a local control funding formula, as specified.

This bill would, among other things, repeal provisions requiring or authorizing many categorical education programs. The bill would repeal provisions relating to the revenue limit and would replace references to the former review limit and general-purpose entitlement calculations with the references to the current local control funding formula calculation. The bill would, commencing with the 2014–15 fiscal year, revise the authorization for a school participating in a special assistance alternative authorized under the federal National School Lunch Program to establish a base year for purposes of the local control funding formula for determining pupils eligible for free or reduced-price meals, as specified. The bill would require specified information to be included in an alternative household income data collection form for the federal National School Lunch Program for purposes of the local control funding formula. The bill would also change the funding calculations for necessary small schools.

(2) Existing law requires a county superintendent of schools to annually present a report, on or before August 15, to the governing board of the school district and the Superintendent of Public Instruction regarding the fiscal solvency of a school district with a disapproved budget, qualified interim certification, or a negative interim certification, or that is determined to be in a position of fiscal uncertainty.

This bill would instead require a county superintendent of schools to present the report on or before September 15.

(3) Existing law specifies how funds appropriated pursuant to a specified budget item of the Budget Act of 2006 for specified county offices of education for site visits shall be allocated.

This bill would delete that provision.

(4) Existing law, on or before July 1 of each fiscal year, requires the county board of education to adopt an annual budget for the budget year and file the budget with the Superintendent of Public Instruction, the county board of supervisors, and the county auditor. Existing law requires the Superintendent to examine the budget, as specified, and, on or before August 15, approve or disapprove the budget, as specified. If the Superintendent disapproves the budget, existing law requires the county superintendent of schools and the county board of education, on or before September 8, to review the recommendations of the Superintendent at a regularly scheduled meeting of the county board of education and respond to those recommendations, as specified. Existing law requires the Superintendent to examine a revised budget, as specified, and, on or before October 8, to approve or disapprove the revised budget. If the Superintendent disapproves the budget, existing law requires him or her to call for the formation of a budget review committee, and requires the budget review committee, on or before October 31, to review the proposed budget, as specified. If the budget

review committee disapproves the budget of the county office of education, existing law requires the Superintendent to either approve or disapprove the budget, as specified. If the Superintendent disapproves the budget, existing law authorizes the Superintendent or his or her designee to do certain things for the remainder of the year, including, among others, to develop and adopt, in consultation with the county superintendent of schools and the county board of education, on or before November 30, a fiscal plan and budget for the county office of education, as specified.

This bill would, among other things, extend those dates by one month to September 15, October 8, November 8, November 30, and December 31, respectively.

(5) Existing law, on or before July 1 of each fiscal year, requires a school district to adopt a budget for the subsequent fiscal year and file the adopted budget with the county superintendent of schools, as specified. Existing law requires the county superintendent of schools to examine the adopted budget, as specified, make certain determinations related to the adopted budget, and, on or before August 15, approve, conditionally approve, or disapprove the adopted budget for each school district, as specified. If the county superintendent of schools conditionally approves or disapproves the budget, existing law requires the governing board of the school district, in conjunction with the county superintendent of schools, on or before September 8, to review and respond to the recommendations of the county superintendent of schools, as specified. Existing law requires the county superintendent of schools to examine the revised budget to make certain determinations and, on or before October 8, to approve or disapprove the revised budget, as specified. If the county superintendent of schools disapproves the budget, existing law requires him or her to call for the formation of a budget review committee, and requires the budget review committee, on or before October 31, to review the proposed budget, as specified. If the budget review committee disapproves the budget of the school district, existing law requires the Superintendent of Public Instruction to either approve or disapprove the budget, as specified. If the Superintendent disapproves the budget, existing law requires the county superintendent of schools to do certain things, including, among others, on or before November 30, develop and adopt, in consultation with the governing board of the school district and the Superintendent, a fiscal plan and budget for the school district, as specified.

This bill would, among other things, extend those dates by one month to September 15, October 8, November 8, November 30, and December 31, respectively.

(6) This bill would appropriate \$5,994,417,000 from the General Fund to the Superintendent of Public Instruction for purposes of allocating those funds to school districts and charter schools pursuant to the local control funding formula for those local educational agencies.

(7) This bill also would make conforming changes, correct cross-references, delete obsolete provisions, and make other nonsubstantive changes.

(8) Funds appropriated by this bill would be applied toward the minimum funding requirements for school districts and community college districts imposed by Section 8 of Article XVI of the California Constitution.

(9) This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 1240 of the Education Code is amended to read:

1240. The county superintendent of schools shall do all of the following:

(a) Superintend the schools of his or her county.

(b) Maintain responsibility for the fiscal oversight of each school district in his or her county pursuant to the authority granted by this code.

(c) (1) Visit and examine each school in his or her county at reasonable intervals to observe its operation and to learn of its problems. He or she annually may present a report of the state of the schools in his or her county, and of his or her office, including, but not limited to, his or her observations while visiting the schools, to the board of education and the board of supervisors of his or her county.

(2) (A) For fiscal years 2004–05 to 2006–07, inclusive, to the extent that funds are appropriated for purposes of this paragraph, the county superintendent, or his or her designee, annually shall submit a report, at a regularly scheduled November board meeting, to the governing board of each school district under his or her jurisdiction, the county board of education of his or her county, and the board of supervisors of his or her county describing the state of the schools in the county or of his or her office that are ranked in deciles 1 to 3, inclusive, of the 2003 base Academic Performance Index (API), as described in subdivision (b) of Section 17592.70, and shall include, among other things, his or her observations while visiting the schools and his or her determinations for each school regarding the status of all of the circumstances listed in subparagraph (I) and teacher misassignments and teacher vacancies. As a condition for receipt of funds, the county superintendent, or his or her designee, shall use a standardized template to report the circumstances listed in subparagraph (I) and teacher misassignments and teacher vacancies, unless the current annual report being used by the county superintendent, or his or her designee, already includes those details for each school.

(B) Commencing with the 2007–08 fiscal year, the county superintendent, or his or her designee, annually shall submit a report, at a regularly scheduled November board meeting, to the governing board of each school district under his or her jurisdiction, the county board of education of his or her county, and the board of supervisors of his or her county describing the state of the schools in the county or of his or her office that are ranked in deciles 1 to 3, inclusive, of the 2006 base API, pursuant to former Section 52056, as that section read on June 30, 2013. The annual report shall include the

determinations for each school made by the county superintendent, or his or her designee, regarding the status of all of the circumstances listed in subparagraph (I) and teacher misassignments and teacher vacancies, and the county superintendent, or his or her designee, shall use a standardized template to report the circumstances listed in subparagraph (I) and teacher misassignments and teacher vacancies, unless the current annual report being used by the county superintendent, or his or her designee, already includes those details with the same level of specificity that is otherwise required by this subdivision. For purposes of this section, schools ranked in deciles 1 to 3, inclusive, on the 2006 base API shall include schools determined by the department to meet either of the following:

(i) The school meets all of the following criteria:

(I) Does not have a valid base API score for 2006.

(II) Is operating in fiscal year 2007–08 and was operating in fiscal year 2006–07 during the Standardized Testing and Reporting (STAR) Program testing period.

(III) Has a valid base API score for 2005 that was ranked in deciles 1 to 3, inclusive, in that year.

(ii) The school has an estimated base API score for 2006 that would be in deciles 1 to 3, inclusive.

(C) The department shall estimate an API score for any school meeting the criteria of subclauses (I) and (II) of clause (i) of subparagraph (B) and not meeting the criteria of subclause (III) of clause (i) of subparagraph (B), using available test scores and weighting or corrective factors it deems appropriate. The department shall post the API scores on its Internet Web site on or before May 1.

(D) For purposes of this section, references to schools ranked in deciles 1 to 3, inclusive, on the 2006 base API shall exclude schools operated by county offices of education pursuant to Section 56140, as determined by the department.

(E) (i) Commencing with the 2010–11 fiscal year and every third year thereafter, the Superintendent shall identify a list of schools ranked in deciles 1 to 3, inclusive, of the API for which the county superintendent, or his or her designee, annually shall submit a report, at a regularly scheduled November board meeting, to the governing board of each school district under his or her jurisdiction, the county board of education of his or her county, and the board of supervisors of his or her county that describes the state of the schools in the county or of his or her office that are ranked in deciles 1 to 3, inclusive, of the base API as defined in clause (ii).

(ii) For the 2010–11 fiscal year, the list of schools ranked in deciles 1 to 3, inclusive, of the base API shall be updated using the criteria set forth in clauses (i) and (ii) of subparagraph (B), subparagraph (C), and subparagraph (D), as applied to the 2009 base API and thereafter shall be updated every third year using the criteria set forth in clauses (i) and (ii) of subparagraph (B), subparagraph (C), and subparagraph (D), as applied to the base API of the year preceding the third year consistent with clause (i).

(iii) The annual report shall include the determinations for each school made by the county superintendent, or his or her designee, regarding the status of all of the circumstances listed in subparagraph (I) and teacher misassignments and teacher vacancies, and the county superintendent, or his or her designee, shall use a standardized template to report the circumstances listed in subparagraph (I) and teacher misassignments and teacher vacancies, unless the current annual report being used by the county superintendent, or his or her designee, already includes those details with the same level of specificity that is otherwise required by this subdivision.

(F) The county superintendent of the Counties of Alpine, Amador, Del Norte, Mariposa, Plumas, and Sierra, and the City and County of San Francisco shall contract with another county office of education or an independent auditor to conduct the required visits and make all reports required by this paragraph.

(G) On a quarterly basis, the county superintendent, or his or her designee, shall report the results of the visits and reviews conducted that quarter to the governing board of the school district at a regularly scheduled meeting held in accordance with public notification requirements. The results of the visits and reviews shall include the determinations of the county superintendent, or his or her designee, for each school regarding the status of all of the circumstances listed in subparagraph (I) and teacher misassignments and teacher vacancies. If the county superintendent, or his or her designee, conducts no visits or reviews in a quarter, the quarterly report shall report that fact.

(H) The visits made pursuant to this paragraph shall be conducted at least annually and shall meet the following criteria:

(i) Minimize disruption to the operation of the school.

(ii) Be performed by individuals who meet the requirements of Section 45125.1.

(iii) Consist of not less than 25 percent unannounced visits in each county. During unannounced visits in each county, the county superintendent shall not demand access to documents or specific school personnel. Unannounced visits shall only be used to observe the condition of school repair and maintenance, and the sufficiency of instructional materials, as defined by Section 60119.

(I) The priority objective of the visits made pursuant to this paragraph shall be to determine the status of all of the following circumstances:

(i) Sufficient textbooks as defined in Section 60119 and as specified in subdivision (i).

(ii) The condition of a facility that poses an emergency or urgent threat to the health or safety of pupils or staff, as described in school district policy or paragraph (1) of subdivision (c) of Section 17592.72.

(iii) The accuracy of data reported on the school accountability report card with respect to the availability of sufficient textbooks and instructional materials, as defined by Section 60119, and the safety, cleanliness, and adequacy of school facilities, including good repair, as required by Sections 17014, 17032.5, 17070.75, and 17089.

(J) The county superintendent may make the status determinations described in subparagraph (I) during a single visit or multiple visits. In determining whether to make a single visit or multiple visits for this purpose, the county superintendent shall take into consideration factors such as cost-effectiveness, disruption to the schoolsite, deadlines, and the availability of qualified reviewers.

(K) If the county superintendent determines that the condition of a facility poses an emergency or urgent threat to the health or safety of pupils or staff as described in school district policy or paragraph (1) of subdivision (c) of Section 17592.72, or is not in good repair, as specified in subdivision (d) of Section 17002 and required by Sections 17014, 17032.5, 17070.75, and 17089, the county superintendent, among other things, may do any of the following:

- (i) Return to the school to verify repairs.
- (ii) Prepare a report that specifically identifies and documents the areas or instances of noncompliance if the school district has not provided evidence of successful repairs within 30 days of the visit of the county superintendent or, for major projects, has not provided evidence that the repairs will be conducted in a timely manner. The report may be provided to the governing board of the school district. If the report is provided to the school district, it shall be presented at a regularly scheduled meeting held in accordance with public notification requirements. The county superintendent shall post the report on his or her Internet Web site. The report shall be removed from the Internet Web site when the county superintendent verifies the repairs have been completed.
- (d) Distribute all laws, reports, circulars, instructions, and blanks that he or she may receive for the use of the school officers.
- (e) Annually, on or before September 15, present a report to the governing board of the school district and the Superintendent regarding the fiscal solvency of a school district with a disapproved budget, qualified interim certification, or a negative interim certification, or that is determined to be in a position of fiscal uncertainty pursuant to Section 42127.6.
- (f) Keep in his or her office the reports of the Superintendent.
- (g) Keep a record of his or her official acts, and of all the proceedings of the county board of education, including a record of the standing, in each study, of all applicants for certificates who have been examined, which shall be open to the inspection of an applicant or his or her authorized agent.
- (h) Enforce the course of study.
- (i) (1) Enforce the use of state textbooks and instructional materials and of high school textbooks and instructional materials regularly adopted by the proper authority in accordance with Section 51050.
- (2) For purposes of this subdivision, sufficient textbooks or instructional materials has the same meaning as in subdivision (c) of Section 60119.
- (3) (A) Commencing with the 2005–06 school year, if a school is ranked in any of deciles 1 to 3, inclusive, of the base API, as specified in paragraph (2) of subdivision (c), and not currently under review pursuant to a state or federal intervention program, the county superintendent specifically shall

review that school at least annually as a priority school. A review conducted for purposes of this paragraph shall be completed by the fourth week of the school year. For the 2004–05 fiscal year only, the county superintendent shall make a diligent effort to conduct a visit to each school pursuant to this paragraph within 120 days of receipt of funds for this purpose.

(B) In order to facilitate the review of instructional materials before the fourth week of the school year, the county superintendent in a county with 200 or more schools that are ranked in any of deciles 1 to 3, inclusive, of the base API, as specified in paragraph (2) of subdivision (c), may utilize a combination of visits and written surveys of teachers for the purpose of determining sufficiency of textbooks and instructional materials in accordance with subparagraph (A) of paragraph (1) of subdivision (a) of Section 60119 and as defined in subdivision (c) of Section 60119. If a county superintendent elects to conduct written surveys of teachers, the county superintendent shall visit the schools surveyed within the same academic year to verify the accuracy of the information reported on the surveys. If a county superintendent surveys teachers at a school in which the county superintendent has found sufficient textbooks and instructional materials for the previous two consecutive years and determines that the school does not have sufficient textbooks or instructional materials, the county superintendent shall within 10 business days provide a copy of the insufficiency report to the school district as set forth in paragraph (4).

(C) For purposes of this paragraph, “written surveys” may include paper and electronic or online surveys.

(4) If the county superintendent of schools determines that a school does not have sufficient textbooks or instructional materials in accordance with subparagraph (A) of paragraph (1) of subdivision (a) of Section 60119 and as defined by subdivision (c) of Section 60119, the county superintendent shall do all of the following:

(A) Prepare a report that specifically identifies and documents the areas or instances of noncompliance.

(B) Provide within five business days of the review, a copy of the report to the school district, as provided in subdivision (c), or, if applicable, provide a copy of the report to the school district within 10 business days pursuant to subparagraph (B) of paragraph (3).

(C) Provide the school district with the opportunity to remedy the deficiency. The county superintendent shall ensure remediation of the deficiency no later than the second month of the school term.

(D) If the deficiency is not remedied as required pursuant to subparagraph (C), the county superintendent shall request the department to purchase the textbooks or instructional materials necessary to comply with the sufficiency requirement of this subdivision. If the department purchases textbooks or instructional materials for the school district, the department shall issue a public statement at the first regularly scheduled meeting of the state board occurring immediately after the department receives the request of the county superintendent and that meets the applicable public notice requirements, indicating that the district superintendent and the governing board of the

school district failed to provide pupils with sufficient textbooks or instructional materials as required by this subdivision. Before purchasing the textbooks or instructional materials, the department shall consult with the school district to determine which textbooks or instructional materials to purchase. The amount of funds necessary for the purchase of the textbooks and materials is a loan to the school district receiving the textbooks or instructional materials. Unless the school district repays the amount owed based upon an agreed-upon repayment schedule with the Superintendent, the Superintendent shall notify the Controller and the Controller shall deduct an amount equal to the total amount used to purchase the textbooks and materials from the next principal apportionment of the school district or from another apportionment of state funds.

(j) Preserve carefully all reports of school officers and teachers.

(k) Deliver to his or her successor, at the close of his or her official term, all records, books, documents, and papers belonging to the office, taking a receipt for them, which shall be filed with the department.

(l) (1) Submit two reports during the fiscal year to the county board of education in accordance with the following:

(A) The first report shall cover the financial and budgetary status of the county office of education for the period ending October 31. The second report shall cover the period ending January 31. Both reports shall be reviewed by the county board of education and approved by the county superintendent no later than 45 days after the close of the period being reported.

(B) As part of each report, the county superintendent shall certify in writing whether or not the county office of education is able to meet its financial obligations for the remainder of the fiscal year and, based on current forecasts, for two subsequent fiscal years. The certifications shall be classified as positive, qualified, or negative, pursuant to standards prescribed by the Superintendent, for the purposes of determining subsequent state agency actions pursuant to Section 1240.1. For purposes of this subdivision, a negative certification shall be assigned to a county office of education that, based upon current projections, will not meet its financial obligations for the remainder of the fiscal year or for the subsequent fiscal year. A qualified certification shall be assigned to a county office of education that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A positive certification shall be assigned to a county office of education that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. In accordance with those standards, the Superintendent may reclassify a certification. If a county office of education receives a negative certification, the Superintendent, or his or her designee, may exercise the authority set forth in subdivision (c) of Section 1630. Copies of each certification, and of the report containing that certification, shall be sent to the Superintendent at the time the certification is submitted to the county board of education. Copies of each qualified or negative certification and the report containing that certification

shall be sent to the Controller at the time the certification is submitted to the county board of education.

(i) For the 2011–12 fiscal year, notwithstanding any of the standards and criteria adopted by the state board pursuant to Section 33127, each county office of education budget shall project the same level of revenue per unit of average daily attendance as it received in the 2010–11 fiscal year and shall maintain staffing and program levels commensurate with that level.

(ii) For the 2011–12 fiscal year, the county superintendent shall not be required to certify in writing whether or not the county office of education is able to meet its financial obligations for the two subsequent fiscal years.

(iii) For the 2011–12 fiscal year, notwithstanding any of the standards and criteria adopted by the state board pursuant to Section 33127, the Superintendent, as a condition on approval of a county office of education budget, shall not require a county office of education to project a lower level of revenue per unit of average daily attendance than it received in the 2010–11 fiscal year nor require the county superintendent to certify in writing whether or not the county office of education is able to meet its financial obligations for the two subsequent fiscal years.

(2) All reports and certifications required under this subdivision shall be in a format or on forms prescribed by the Superintendent, and shall be based on standards and criteria for fiscal stability adopted by the state board pursuant to Section 33127. The reports and supporting data shall be made available by the county superintendent to an interested party upon request.

(3) This subdivision does not preclude the submission of additional budgetary or financial reports by the county superintendent to the county board of education or to the Superintendent.

(4) The county superintendent is not responsible for the fiscal oversight of the community colleges in the county, however, he or she may perform financial services on behalf of those community colleges.

(m) If requested, act as agent for the purchase of supplies for the city and high school districts of his or her county.

(n) For purposes of Section 44421.5, report to the Commission on Teacher Credentialing the identity of a certificated person who knowingly and willingly reports false fiscal expenditure data relative to the conduct of an educational program. This requirement applies only if, in the course of his or her normal duties, the county superintendent discovers information that gives him or her reasonable cause to believe that false fiscal expenditure data relative to the conduct of an educational program has been reported.

(o) If any activities authorized pursuant to this section are found to be a state reimbursable mandate pursuant to Section 6 of Article XIII B of the California Constitution, funding provided for school districts and county offices of education pursuant to Sections 2574, 2575, 42238.02, and 42238.03 shall be used to directly offset any mandated costs.

SEC. 2. Section 1242 of the Education Code is repealed.

SEC. 3. Section 1242.5 of the Education Code is repealed.

SEC. 4. Section 1622 of the Education Code is amended to read:

1622. (a) On or before July 1 of each fiscal year, the county board of education shall adopt an annual budget for the budget year and shall file the budget with the Superintendent, the county board of supervisors, and the county auditor. The budget, and supporting data, shall be maintained and made available for public review. The budget shall indicate the date, time, and location at which the county board of education held the public hearing required under Section 1620. For the 2014–15 fiscal year and each fiscal year thereafter, the county board of education shall not adopt a budget before the county board of education adopts a local control and accountability plan or approves an update to an existing local control and accountability plan if an existing local control and accountability plan or update to a local control and accountability plan is not effective during the budget year. The county board of education shall not adopt a budget that does not include the expenditures identified in the local control and accountability plan and any annual update to the local control and accountability plan that will be effective for the budget year. Notwithstanding any other provision of this article, for the 2014–15 fiscal year and each fiscal year thereafter, the budget shall not be adopted or approved by the Superintendent before a local control and accountability plan or update to an existing local control and accountability plan for the budget year is approved.

(b) (1) The Superintendent shall examine the budget to determine if it (A) complies with the standards and criteria adopted by the state board pursuant to Section 33127 for application to final local educational agency budgets, (B) allows the county office of education to meet its financial obligations during the fiscal year, and (C) is consistent with a financial plan that will enable the county office of education to satisfy its multiyear financial commitments. In addition, the Superintendent shall identify any technical corrections to the budget that must be made. On or before September 15, the Superintendent shall approve or disapprove the budget and, in the event of a disapproval, transmit to the county office of education in writing his or her recommendations regarding revision of the budget and the reasons for those recommendations.

(2) For the 2014–15 fiscal year and each fiscal year thereafter, the Superintendent shall disapprove a budget if any of the following occur:

(A) The Superintendent has not approved a local control and accountability plan or an annual update to the local control and accountability plan filed by a county board of education pursuant to Section 52070.5 that is effective for the budget year.

(B) The Superintendent determines that the budget does not include the expenditures necessary to implement the local control and accountability plan or an annual update to the local control and accountability plan that is effective for that budget year.

(c) In the event of the disapproval of the budget of a county office of education pursuant to subdivision (b), on or before October 8, the county superintendent of schools and the county board of education shall review the recommendations of the Superintendent at a regularly scheduled meeting of the county board of education and respond to those recommendations.

That response shall include any revisions to the adopted budget and other proposed actions to be taken, if any, as a result of those recommendations.

(d) (1) The Superintendent shall examine the revised budget as provided in subdivision (c) to determine if it complies with the standards and criteria adopted by the state board pursuant to Section 33127 for application to final local educational agency budgets and, on or before November 8, shall approve or disapprove the revised budget. For the 2014–15 fiscal year and each fiscal year thereafter, the Superintendent shall disapprove a revised budget if the Superintendent determines that the revised budget does not include the expenditures necessary to implement the local control and accountability plan or an annual update to the local control and accountability plan approved by the Superintendent pursuant to Section 52070.5 that is effective for the budget year. If the Superintendent disapproves the budget, he or she shall call for the formation of a budget review committee pursuant to Section 1623.

(2) Notwithstanding any other law, for the 2014–15 fiscal year and each fiscal year thereafter, if the Superintendent disapproves the budget for the sole reason that the Superintendent has not approved a local control and accountability plan or an annual update to the local control and accountability plan filed by the county board of education pursuant to Section 52070.5, the Superintendent shall not call for the formation of a budget review committee pursuant to Section 1623.

(e) Not later than 45 days after the Governor signs the annual Budget Act, the county office of education shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act.

SEC. 5. Section 1623 of the Education Code is amended to read:

1623. (a) The budget review committee shall be composed of three persons and shall be selected by the county superintendent of schools and the county board of education solely from a list of no fewer than five candidates provided by the Superintendent. The candidates shall be persons who have expertise in the management of a school district or county office of education, including, but not be limited to, the fiscal and educational aspects of that management.

(b) No later than five working days after the receipt of the candidate list described in subdivision (a), the county superintendent of schools and the county board of education shall select the budget review committee. If the county superintendent of schools and the county board of education fail to select a committee within the period of time permitted by this subdivision, the Superintendent instead shall select and convene the budget review committee no later than 10 working days after the receipt by the county superintendent of schools and the county board of education of the candidate list.

(c) On or before November 30, the budget review committee shall review the proposed budget of the county office of education and the underlying fiscal policies of that county office of education, and shall transmit to the

Superintendent, the county superintendent of schools, and the county board of education either of the following:

- (1) The recommendation that the budget be approved.
- (2) A report disapproving the budget and setting forth recommendations for revisions to the budget that would enable the county office of education to meet its financial obligations both in the budget year and with regard to multiyear financial commitments.
- (d) Upon the request of the budget review committee, the Superintendent may extend the deadline set forth in subdivision (c) for a period of not more than 15 working days.
- (e) The Superintendent shall develop criteria and procedures governing the performance by budget review committees of their duties under this section.
- (f) The members of the budget review committee shall be reimbursed for their services and associated expenses while on official business, at rates established by the state board.

SEC. 6. Section 1624 of the Education Code is amended to read:

1624. (a) If the budget review committee established pursuant to Section 1623 disapproves the budget of the county office of education, within five working days following the receipt of the committee's report, the county superintendent of schools and the county board of education may submit a response to the Superintendent, including any revisions to the adopted budget and any other proposed action to be taken as a result of the recommendations of the budget review committee.

(b) Based upon the recommendations of the budget review committee provided pursuant to subdivision (c) of Section 1623, and any response provided pursuant to subdivision (a), the Superintendent shall either approve or disapprove the budget of the county office of education. If the Superintendent disapproves the budget, the superintendent or his or her designee may do any of the following for the remainder of the current fiscal year:

(1) On or before December 31, develop and adopt, in consultation with the county superintendent of schools and the county board of education, a fiscal plan and budget for the county office of education that will allow the county office of education to meet its financial obligations both in the budget year and with regard to the multiyear financial commitments. The county board of education and the county superintendent of schools shall govern the operation of the county office of education for the budget year in accordance with that fiscal plan and budget. The deadline set forth in this paragraph shall be modified to reflect any extension granted under subdivision (d) of Section 1623.

(2) Cancel purchase orders, prohibit the issuance of nonsalary warrants, and otherwise stay or rescind any action that is inconsistent with the fiscal plan and budget adopted pursuant to paragraph (1). The Superintendent shall inform the county board of education and the county superintendent of schools in writing of his or her justification for any exercise of authority under this paragraph.

(3) Monitor and review the operation of the county office of education.
(4) Determine the need for additional staff and may employ, at county office of education expense, short-term analytical assistance or expertise to validate financial information if the county does not have the expertise or staff.

(5) Require the county office of education to encumber all contracts and other obligations, to prepare appropriate cashflow analyses and monthly or quarterly budget revisions, and to appropriately record all receivables and payables.

(6) Determine whether there are any financial problem areas and may employ, at county office of education expense, a certified public accounting firm to investigate financial problem areas.

(7) Withhold compensation of the members of the county board of education and the county superintendent for failure to provide requested financial information.

(c) The county office of education shall pay reasonable fees charged by the Superintendent of Public Instruction for actual administrative expenses incurred pursuant to subdivision (b), or costs associated with improving the county office of education's financial management practices.

(d) This section shall not be construed to authorize the Superintendent to abrogate any provision of a collective bargaining agreement that was entered into by a county office of education prior to the date upon which the Superintendent disapproved the budget of the county office of education pursuant to subdivision (b).

(e) As he or she deems necessary for the purposes set forth in subdivision (b), the Superintendent may seek from the county office of education, or otherwise obtain, additional information regarding the budget or operations of the county office of education, through a financial or management review of the county office of education, a cashflow projection, or other appropriate means.

SEC. 7. Section 2509 of the Education Code is repealed.

SEC. 8. Section 2550 of the Education Code is repealed.

SEC. 9. Section 2550.1 of the Education Code is repealed.

SEC. 10. Section 2550.2 of the Education Code is repealed.

SEC. 11. Section 2550.4 of the Education Code is repealed.

SEC. 12. Section 2550.5 of the Education Code is repealed.

SEC. 13. Section 2550.6 of the Education Code is repealed.

SEC. 14. Section 2550.7 of the Education Code is repealed.

SEC. 15. Section 2551.3 of the Education Code is repealed.

SEC. 16. Section 2557 of the Education Code is repealed.

SEC. 17. Section 2557.5 of the Education Code is repealed.

SEC. 18. Section 2558.1 of the Education Code is repealed.

SEC. 19. Section 2558.3 of the Education Code is repealed.

SEC. 20. Section 2558.4 of the Education Code is repealed.

SEC. 21. Section 2558.45 of the Education Code is repealed.

SEC. 22. Section 2558.46 of the Education Code is repealed.

SEC. 23. Section 2558.5 of the Education Code is repealed.

SEC. 24. Section 2558.6 of the Education Code is repealed.

SEC. 25. Article 3.5 (commencing with Section 2560) of Chapter 12 of Part 2 of Division 1 of Title 1 of the Education Code is repealed.

SEC. 26. Section 14022.5 of the Education Code, as added by Section 2 of Chapter 82 of the Statutes of 1989, is repealed.

SEC. 27. Section 33128.2 of the Education Code is repealed.

SEC. 28. Section 35160.5 of the Education Code is amended to read:

35160.5. (a) The governing board of a school district that maintains one or more schools containing any of grades 7 to 12, inclusive, as a condition for the receipt of inflation adjustments pursuant to Section 42238.02, as implemented by Section 42238.03, shall establish a school district policy regarding participation in extracurricular and cocurricular activities by pupils in grades 7 to 12, inclusive. The criteria, which shall be applied to extracurricular and cocurricular activities, shall ensure that pupil participation is conditioned upon satisfactory educational progress in the previous grading period.

(1) For purposes of this subdivision, “extracurricular activity” means a program that has all of the following characteristics:

(A) The program is supervised or financed by the school district.

(B) Pupils participating in the program represent the school district.

(C) Pupils exercise some degree of freedom in either the selection, planning, or control of the program.

(D) The program includes both preparation for performance and performance before an audience or spectators.

(2) For purposes of this subdivision, an “extracurricular activity” is not part of the regular school curriculum, is not graded, does not offer credit, and does not take place during classroom time.

(3) For purposes of this subdivision, a “cocurricular activity” is defined as a program that may be associated with the curriculum in a regular classroom.

(4) Any teacher graded or required program or activity for a course that satisfies the entrance requirements for admission to the California State University or the University of California is not an extracurricular or cocurricular activity as defined by this section.

(5) For purposes of this subdivision, “satisfactory educational progress” shall include, but not necessarily be limited to, both of the following:

(A) Maintenance of minimum passing grades, which is defined as at least a 2.0 grade point average in all enrolled courses on a 4.0 scale.

(B) Maintenance of minimum progress toward meeting the high school graduation requirements prescribed by the governing board.

(6) For purposes of this subdivision, “previous grading period” does not include a grading period in which the pupil was not in attendance for all, or a majority of, the grading period due to absences excused by the school for reasons such as serious illness or injury, approved travel, or work. In that event, “previous grading period” is deemed to mean the grading period immediately prior to the grading period or periods excluded pursuant to this paragraph.

(7) A program that has, as its primary goal, the improvement of academic or educational achievements of pupils is not an extracurricular or cocurricular activity as defined by this section.

(8) The governing board of each school district may adopt, as part of its policy established pursuant to this subdivision, provisions that would allow a pupil who does not achieve satisfactory educational progress, as defined in paragraph (5), in the previous grading period to remain eligible to participate in extracurricular and cocurricular activities during a probationary period. The probationary period shall not exceed one semester in length, but may be for a shorter period of time, as determined by the governing board of the school district. A pupil who does not achieve satisfactory educational progress, as defined in paragraph (5), during the probationary period shall not be allowed to participate in extracurricular and cocurricular activities in the subsequent grading period.

(9) Nothing in this subdivision shall preclude the governing board of a school district from imposing a more stringent academic standard than that imposed by this subdivision. If the governing board of a school district imposes a more stringent academic standard, the governing board shall establish the criteria for participation in extracurricular and cocurricular activities at a meeting open to the public pursuant to Section 35145.

(10) The governing board of each school district annually shall review the school district policies adopted pursuant to the requirements of this section.

(b) (1) On or before July 1, 1994, the governing board of each school district, as a condition for the receipt of school apportionments from the state school fund, shall adopt rules and regulations establishing a policy of open enrollment within the district for residents of the district. This requirement does not apply to a school district that has only one school or a school district with schools that do not serve any of the same grade levels.

(2) The policy shall include all of the following elements:

(A) It shall provide that the parent or guardian of each schoolage child who is a resident in the district may select the schools the child shall attend, irrespective of the particular locations of his or her residence within the district, except that school districts shall retain the authority to maintain appropriate racial and ethnic balances among their respective schools at the school districts' discretion or as specified in applicable court-ordered or voluntary desegregation plans.

(B) It shall include a selection policy for a school that receives requests for admission in excess of the capacity of the school that ensures that selection of pupils to enroll in the school is made through a random, unbiased process that prohibits an evaluation of whether a pupil should be enrolled based upon his or her academic or athletic performance. The governing board of a school district shall calculate the capacity of the schools in the district for purposes of this subdivision in a nonarbitrary manner using pupil enrollment and available space. However, school districts may employ existing entrance criteria for specialized schools or programs if the criteria are uniformly applied to all applicants. This subdivision shall not be

construed to prohibit school districts from using academic performance to determine eligibility for, or placement in, programs for gifted and talented pupils established pursuant to former Chapter 8 (commencing with Section 52200) of Part 28 of Division 4, as that chapter read on January 1, 2014.

(C) It shall provide that no pupil who currently resides in the attendance area of a school shall be displaced by pupils transferring from outside the attendance area.

(3) Notwithstanding the requirement of subparagraph (B) of paragraph (2) that the policy include a selection policy for a school that receives requests for admission in excess of the capacity of the school that ensures that the selection is made through a random, unbiased process, the policy may include either of the following elements:

(A) (i) It may provide that special circumstances exist that might be harmful or dangerous to a particular pupil in the current attendance area of the pupil, including, but not necessarily limited to, threats of bodily harm or threats to the emotional stability of the pupil, that serve as a basis for granting a priority of attendance outside the current attendance area of the pupil. A finding of harmful or dangerous special circumstances shall be based upon either of the following:

(I) A written statement from a representative of the appropriate state or local agency, including, but not necessarily limited to, a law enforcement official or a social worker, or properly licensed or registered professionals, including, but not necessarily limited to, psychiatrists, psychologists, or marriage and family therapists.

(II) A court order, including a temporary restraining order and injunction, issued by a judge.

(ii) A finding of harmful or dangerous special circumstances pursuant to this subparagraph may be used by a school district to approve transfers within the district to schools that have been deemed by the school district to be at capacity and otherwise closed to transfers that are not based on harmful or dangerous special circumstances.

(B) It may provide that schools receiving requests for admission shall give priority for attendance to siblings of pupils already in attendance in that school and to pupils whose parent or legal guardian is assigned to that school as his or her primary place of employment.

(4) To the extent required and financed by federal law and at the request of the pupil's parent or guardian, each school district shall provide transportation assistance to the pupil.

SEC. 29. Section 35735.3 of the Education Code is repealed.

SEC. 30. Section 35736 of the Education Code is amended to read:

35736. Plans and recommendations may include a proposal for dividing the property, other than real property, and obligations of any school district proposed to be divided between two or more school districts, or proposed to be partially included in one or more school districts. As used in this section, "property" includes funds, cash on hand, and moneys due but uncollected on the date reorganization becomes effective for all purposes, and state apportionments based on average daily attendance earned in the

year immediately preceding the date reorganization becomes effective for all purposes. In providing for this division, the plans and recommendations may consider the assessed valuation of each portion of the school district, the local control funding formula allocation pursuant to Section 42238.02, as implemented by Section 42238.03, per pupil in each school district, the number of children of school age residing in each portion of the school district, the value and location of the school property, and such other matters as may be deemed pertinent and equitable. Any such proposal shall be an integral part of the proposal and not a separate proposition.

SEC. 31. Section 35757 of the Education Code is amended to read:

35757. The county superintendent of schools shall prepare a statement of official information and statistics relating to the proposed reorganization that shall include, but is not limited to, the plans and recommendations, the local control funding formula allocation pursuant to Section 42238.02, as implemented by Section 42238.03, per pupil, the rate of growth, the expected enrollment, and the support from the state that can be expected if such area maintains an adequate school program. Such statistics shall be based upon the school year last completed before the date of the election.

SEC. 32. Section 41203.7 of the Education Code is amended to read:

41203.7. (a) Notwithstanding any other law, a supplemental appropriation shall be made from the General Fund for the support of school districts, as defined in Section 41302.5, in each fiscal year for the purposes set forth in subdivision (c). The amount of that supplemental appropriation shall be equal to the sum of the amount allocated to school districts pursuant to this section in the prior fiscal year and 25 percent of the amount, if any, allocated to school districts in the prior fiscal year pursuant to Section 8.5 of Article XVI of the California Constitution. That amount shall be adjusted annually for changes in enrollment, and for the change in the cost of living pursuant to paragraph (1) of subdivision (e) of Section 8 of Article XIII B of the California Constitution.

(b) The funds appropriated for the purposes of subdivision (a) shall be allocated to each school district in an equal amount per unit of enrollment, in accordance with the allocation procedure set forth in subdivision (c) of Section 8.5 of Article XVI of the California Constitution.

(c) The amount allocated to each school district pursuant to this section shall be used only for the reduction of class size in any grade level or subject area. That class size reduction shall occur in any manner determined by the governing board of the school district. Not later than 90 days following each fiscal year in which a school district receives funding pursuant to this section, the governing board of the school district shall certify in writing to the Superintendent that all expenditures of that funding were in compliance with this subdivision.

SEC. 33. Section 41209 of the Education Code is repealed.

SEC. 34. Section 41320.1 of the Education Code is amended to read:

41320.1. Acceptance by the school district of the apportionments made pursuant to Section 41320 constitutes the agreement by the school district to all of the following conditions:

(a) The Superintendent shall appoint a trustee who has recognized expertise in management and finance and may employ, on a short-term basis, staff necessary to assist the trustee, including, but not limited to, certified public accountants, as follows:

(1) The expenses incurred by the trustee and necessary staff shall be borne by the school district.

(2) The Superintendent shall establish the terms and conditions of the employment, including the remuneration of the trustee. The trustee shall serve at the pleasure of, and report directly to, the Superintendent.

(3) The trustee, and necessary staff, shall serve until the school district has adequate fiscal systems and controls in place, the Superintendent has determined that the school district's future compliance with the fiscal plan approved for the school district under Section 41320 is probable, and the Superintendent decides to terminate the trustee's appointment, but in no event, for less than three years. The Superintendent shall notify the county superintendent of schools, the Legislature, the Department of Finance, and the Controller no less than 60 days before the time that the Superintendent expects these conditions to be met.

(4) Before the school district repays the loan, including interest, the recipient of the loan shall select an auditor from a list established by the Superintendent and the Controller to conduct an audit of its fiscal systems. If the fiscal systems are deemed to be inadequate, the Superintendent may retain the trustee until the deficiencies are corrected. The cost of this audit and any additional cost of the trustee shall be borne by the school district.

(5) Notwithstanding any other law, all reports submitted to the trustee are public records.

(6) To facilitate the appointment of the trustee and the employment of necessary staff, for purposes of this section, the Superintendent is exempt from the requirements of Article 6 (commencing with Section 999) of Chapter 6 of Division 4 of the Military and Veterans Code and Part 2 (commencing with Section 10100) of Division 2 of the Public Contract Code.

(7) Notwithstanding any other law, the Superintendent may appoint an employee of the department to act as trustee for up to the duration of the trusteeship. The salary and benefits of that employee shall be established by the Superintendent and paid by the school district. During the time of appointment, the employee is an employee of the school district, but shall remain in the same retirement system under the same plan as if the employee had remained in the department. Upon the expiration or termination of the appointment, the employee shall have the right to return to his or her former position, or to a position at substantially the same level as that position, with the department. The time served in the appointment shall be counted for all purposes as if the employee had served that time in his or her former position with the department.

(b) (1) The trustee appointed by the Superintendent shall monitor and review the operation of the school district. During the period of his or her service, the trustee may stay or rescind an action of the governing board of

the school district that, in the judgment of the trustee, may affect the financial condition of the school district.

(2) After the trustee's period of service, and until the loan is repaid, the county superintendent of schools that has jurisdiction over the school district may stay or rescind an action of the governing board of the school district that, in his or her judgment, may affect the financial condition of the school district. The county superintendent of schools shall notify the Superintendent, within five business days, if he or she stays or rescinds an action of the governing board of the school district. The notice shall include, but not be limited to, both of the following:

(A) A description of the governing board of the school district's intended action and its financial implications.

(B) The rationale and findings that support the county superintendent of school's decision to stay or rescind the action of the governing board of the school district.

(3) If the Superintendent is notified by the county superintendent of schools pursuant to paragraph (2), the Superintendent shall report to the Legislature, on or before December 30 of every year, whether the school district is complying with the fiscal plan approved for the school district.

(4) The Superintendent may establish timelines and prescribe formats for reports and other materials to be used by the trustee to monitor and review the operations of the school district. The trustee shall approve or reject all reports and other materials required from the school district as a condition of receiving the apportionment. The Superintendent, upon the recommendation of the trustee, may reduce an apportionment to the school district in an amount up to two hundred dollars (\$200) per day for each late or unacceptable report or other material required under this part, and shall report to the Legislature a failure of the school district to comply with the requirements of this section. If the Superintendent determines, at any time, that the fiscal plan approved for the school district under Section 41320 is unsatisfactory, he or she may modify the plan as necessary, and the school district shall comply with the plan as modified.

(c) At the request of the Superintendent, the Controller shall transfer to the department, from an apportionment to which the school district would otherwise have been entitled pursuant to Section 42238.02, as implemented by Section 42238.03, the amount necessary to pay the expenses incurred by the trustee and associated costs incurred by the county superintendent of schools.

(d) For the fiscal year in which the apportionments are disbursed and every year thereafter, the Controller, or his or her designee, shall cause an audit to be conducted of the books and accounts of the school district, in lieu of the audit required by Section 41020. At the Controller's discretion, the audit may be conducted by the Controller, his or her designee, or an auditor selected by the school district and approved by the Controller. The costs of these audits shall be borne by the school district. These audits shall be required until the Controller determines, in consultation with the Superintendent, that the school district is financially solvent, but in no event

earlier than one year following the implementation of the plan or later than the time the apportionment made is repaid, including interest. In addition, the Controller shall conduct quality control reviews pursuant to subdivision (c) of Section 14504.2.

(e) For purposes of errors and omissions liability insurance policies, the trustee appointed pursuant to this section is an employee of the local educational agency to which he or she is assigned. For purposes of workers' compensation benefits, the trustee is an employee of the local educational agency to which he or she is assigned, except that a trustee appointed pursuant to paragraph (7) of subdivision (a) is an employee of the department for those purposes.

(f) Except for an individual appointed by the Superintendent as trustee pursuant to paragraph (7) of subdivision (a), the state-appointed trustee is a member of the State Teachers' Retirement System, if qualified, for the period of service as trustee, unless the trustee elects in writing not to become a member. A person who is a member or retirant of the State Teachers' Retirement System at the time of appointment shall continue to be a member or retirant of the system for the duration of the appointment. If the trustee chooses to become a member or is already a member, the trustee shall be placed on the payroll of the school district for the purpose of providing appropriate contributions to the system. The Superintendent may also require that an individual appointed as trustee pursuant to paragraph (7) of subdivision (a) be placed on the payroll of the school district for purposes of remuneration, other benefits, and payroll deductions. For purposes of workers' compensation benefits, the state-appointed trustee is deemed an employee of the local educational agency to which he or she is assigned, except that a trustee who is appointed pursuant to paragraph (7) of subdivision (a) is an employee of the department for those purposes.

SEC. 35. Section 41329.55 of the Education Code is amended to read:

41329.55. (a) Simultaneous with the execution of the lease financing authorized pursuant to Section 41329.52, the bank shall provide to the Controller and the school district a notification of its lease financing. The notice shall include a schedule of rent payments to become due to the bank from the school district and the bond trustee. The Controller shall make the apportionment to the bond trustee of those amounts on the dates shown on the schedule. The bank may further authorize the apportionments to be used to pay or reimburse the provider of any credit enhancement of bonds and other ongoing or periodic ancillary costs of the bond financing issued by the bank in connection with this article. If the amount of rent payments vary from the schedule as a result of variable interest rates on the bonds, early redemptions, or changes in expenses, the bank shall amend or supplement the schedule accordingly.

(b) Except where financing is for a community college district, the Controller shall make the apportionment only from moneys in Section A of the State School Fund and the Education Protection Account designated for apportionment to the district and any apportionment authorized pursuant to this subdivision shall constitute a lien senior to any other apportionment

or payment of State School Fund and the Education Protection Account moneys to or for that district not made pursuant to this subdivision.

(c) If financing is for the Compton Community College District, the Controller shall make the apportionment only from moneys in Section B of the State School Fund. Any apportionment authorized pursuant to this subdivision shall constitute a lien senior to any other apportionment or payment of Section B State School Fund moneys.

(d) The amount apportioned for a school district pursuant to this section is an allocation to the school district for purposes of subdivision (b) of Section 8 of Article XVI of the California Constitution. For purposes of computing the local control funding formula allocation pursuant to Section 42238.02, as implemented by Section 42238.03, for any school district, the local control funding formula allocation for any fiscal year in which funds are apportioned for the school district pursuant to this section shall include any amounts apportioned by the Controller pursuant to subdivisions (a), (b), and (c), and Section 41329.57.

(e) No party, including the school district or any of its creditors, shall have any claim to the money apportioned or to be apportioned to the bond trustee by the Controller pursuant to this section.

SEC. 36. Section 41334 of the Education Code is repealed.

SEC. 37. Section 41338 of the Education Code is repealed.

SEC. 38. Section 41341 of the Education Code is amended to read:

41341. (a) (1) If, during any fiscal year, the amount apportioned to a school district or to any fund from Section A of the State School Fund differs either positively or negatively from the amount to which the school district or fund was entitled by an amount equal to the local control funding formula allocation pursuant to Section 42238.02, as implemented pursuant to Section 42238.03, for one unit of average daily attendance, the Superintendent, in accordance with regulations that he or she is hereby authorized to adopt, not later than the first succeeding fiscal year from the fiscal year in which the computational error was made, shall withhold from, or add to, the apportionment made during that fiscal year, the amount of the excess or deficiency, as the case may be. Notwithstanding any other provision of this code to the contrary, excesses withheld or deficiencies added by the Superintendent pursuant this subdivision shall be added to or allowed from any portion of the State School Fund.

(2) Notwithstanding paragraph (1), excesses may be withheld or deficiencies added to apportionments on account of audit exceptions in any fiscal year in which they are certified by the Superintendent.

(b) If, during any fiscal year, the amount apportioned to a community college district or to any fund from Section B of the State School Fund differs either positively or negatively from the amount to which the community college district or fund was entitled, by an amount equal to the funding of one full-time equivalent student, the Chancellor of the California Community Colleges, in accordance with regulations that he or she is hereby authorized to adopt, not later than the first succeeding fiscal year from the fiscal year in which the computational error was made, shall withhold from,

or add to, the apportionment made during that fiscal year, the amount of the excess or deficiency, as the case may be. Notwithstanding any other provision of this code to the contrary, excesses withheld or deficiencies added by the Chancellor of the California Community Colleges under this subdivision shall be added to or allowed from any portion of the State School Fund.

SEC. 39. Section 41344 of the Education Code is amended to read:

41344. (a) If, as the result of an audit or review, a local educational agency is required to repay an apportionment significant audit exception or to pay a penalty arising from an audit exception, the Superintendent and the Director of Finance, or their designees, jointly shall establish a plan for repayment of state school funds that the local educational agency received on the basis of average daily attendance, or other data, that did not comply with statutory or regulatory requirements that were conditions of the apportionments, or for payment of a penalty arising from an audit exception. A local educational agency shall request a plan within 90 days of receiving the final audit report or review, within 30 days of withdrawing or receiving a final determination regarding an appeal pursuant to subdivision (d), or, in the absence of an appeal pursuant to subdivision (d), within 30 days of withdrawing or receiving a determination of a summary review pursuant to subdivision (d) of Section 41344.1. At the time the local educational agency is notified, the Controller also shall be notified of the plan. The plan shall be established in accordance with the following:

(1) The Controller shall withhold the disallowed or penalty amount at the next principal apportionment or pursuant to paragraph (2), unless subdivision (d) of this section or subdivision (d) of Section 41344.1 applies, in which case the disallowed or penalty amount shall be withheld, at the next principal apportionment or pursuant to paragraph (2) following the determination regarding the appeal or summary appeal. In calculating a disallowed amount, the Controller shall determine the total amount of overpayment received by the local educational agency on the basis of average daily attendance, or other data, reported by the local educational agency that did not comply with one or more statutory or regulatory requirements that are conditions of apportionment.

(2) If the Superintendent and the Director of Finance concur that repayment of the full liability or payment of the penalty in the current fiscal year would constitute a severe financial hardship for the local educational agency, they may approve a plan of equal annual payments over a period of up to eight years. The plan shall include interest on each year's outstanding balance at the rate earned on the state's Pooled Money Investment Account during that year. The Superintendent and the Director of Finance jointly shall establish this plan. The Controller shall withhold amounts pursuant to the plan.

(3) If the Superintendent and the Director of Finance do not jointly establish a plan, the Controller shall withhold the entire disallowed amount determined pursuant to paragraph (1), or the penalty amount, at the next principal apportionment.

(b) (1) For purposes of computing average daily attendance pursuant to Section 42238.05, a local educational agency's prior fiscal year average daily attendance shall be reduced by an amount equal to any average daily attendance disallowed in the current year, by an audit or review, as defined in subdivision (e).

(2) Commencing with the 1999–2000 fiscal year, this subdivision may not result in a local educational agency repaying more than the value of the average daily attendance disallowed in the audit exception plus interest and other penalties or reductions in apportionments as provided by existing law.

(c) Notwithstanding any other law, this section may not be waived under any authority set forth in this code except as provided in this section or Section 41344.1.

(d) Within 60 days of the date on which a local educational agency receives a final audit report resulting from an audit or review of all or any part of the operations of the local educational agency, or within 30 days of receiving a determination of a summary review pursuant to subdivision (d) of Section 41344.1, a local educational agency may appeal a finding contained in the final report, pursuant to Section 41344.1. Within 90 days of the date on which the appeal is received by the panel, a hearing shall be held at which the local educational agency may present evidence or arguments if the local educational agency believes that the final report contains any finding that was based on errors of fact or interpretation of law, or if the local educational agency believes in good faith that it was in substantial compliance with all legal requirements. A repayment schedule may not commence until the panel reaches a determination regarding the appeal. If the panel determines that the local educational agency is correct in its assertion, in whole or in part, the allowable portion of any apportionment payment that was withheld shall be paid at the next principal apportionment.

(e) (1) As used in this section, “audit or review” means an audit conducted by the Controller’s office, an annual audit conducted by a certified public accountant or a public accounting firm pursuant to Section 41020, and an audit or review conducted by a governmental agency that provided the local educational agency with an opportunity to provide a written response.

(2) As used in this section, “local educational agency” includes a charter school.

SEC. 40. Section 41376 of the Education Code is amended to read:

41376. (a) The Superintendent, in computing apportionments and allowances from the State School Fund for the second principal apportionment, shall determine the following for the regular day classes of the elementary schools maintained by each school district:

(1) (A) For grades 1 to 3, inclusive, the Superintendent shall determine the number of classes, the number of pupils enrolled in each class, the total enrollment in all such classes, the average number of pupils enrolled per class, and the total of the numbers of pupils which are in excess of thirty (30) in each class.

(B) For those school districts that do not have any classes with an enrollment in excess of 32 and whose average size for all the classes is 30.0 or less, there shall be no excess declared. For those school districts that have one or more classes in excess of an enrollment of 32 or whose average size for all the classes is more than 30, the excess shall be the total of the number of pupils which are in excess of 30 in each class having an enrollment of more than 30.

(2) For grades 4 to 8, inclusive, the Superintendent shall determine the total number of pupils enrolled, the number of full-time equivalent classroom teachers, and the average number of pupils per each full-time equivalent classroom teacher. The Superintendent shall also determine the excess if any, of pupils enrolled in such grades in the following manner:

(A) Determine the number of pupils by which the average number of pupils per each full-time equivalent classroom teacher for the current fiscal year exceeds the greater of the average number of pupils per each full-time equivalent classroom teacher in all the appropriate districts of the state, as determined by the Superintendent for October 30, 1964, or the average number of pupils per each full-time equivalent classroom teacher which existed in the school district on either October 30, 1964, or March 30, 1964, as selected by the governing board of the school district.

(B) Multiply the number determined in subparagraph (A) by the number of full-time equivalent classroom teachers of the current fiscal year.

(C) Reduce the number determined in subparagraph (B) by the remainder that results from dividing such number by the average number of pupils per each full-time equivalent teacher for October 30, 1964, as determined by the Superintendent in subparagraph (A).

(3) The Superintendent shall compute the product obtained by multiplying the excess number of pupils, if any, in paragraph (1) by ninety-seven hundredths.

(4) If the school district reports that it has maintained, during the current fiscal year, any classes in which there were enrolled pupils in excess of 30 per class pursuant to paragraph (1), and there is no excess number of pupils computed pursuant to paragraph (2), the Superintendent shall decrease the average daily attendance reported under the provisions of Section 41601 by the product determined pursuant to paragraph (3).

(5) If the school district reports that it has maintained, during the current fiscal year, no classes in which there were enrolled pupils in excess of 30 per class determined pursuant to paragraph (1), and there is an excess number of pupils computed pursuant to paragraph (2), the Superintendent shall compute the product obtained by multiplying the excess number of pupils computed pursuant to paragraph (2) by ninety-seven hundredths. The Superintendent shall decrease the average daily attendance reported under the provisions of Section 41601 by the resulting product.

(6) If the school district reports that it has maintained, during the current fiscal year, any classes in which there were enrolled pupils in excess of 30 per class determined pursuant to paragraph (1), and there is an excess number of pupils computed pursuant to paragraph (2), the Superintendent shall add

to the product determined pursuant to paragraph (3), the product determined pursuant to paragraph (5), and shall decrease the average daily attendance reported under the provisions of Section 41601 by this total amount.

(b) The governing board of each school district maintaining elementary schools shall report for the fiscal year 1964–65 and each year thereafter the information required for the determination to be made by the Superintendent pursuant to this section in accordance with instructions provided on forms furnished and prescribed by the Superintendent. Such information shall be reported by the school district together with, and at the same time as, the reports required to be filed for the second principal apportionment of the State School Fund. The forms on which the data and information is reported shall include a certification by the superintendent of each school district or its chief administrative officer that the data is correct and accurate for the period covered, according to his or her best information and belief.

(c) For purposes of this section, a “full-time equivalent classroom teacher” means an employee of an elementary, high school, or unified school district, employed in a position requiring certification qualifications and whose duties require him to teach pupils in the elementary schools of that district in regular day classes for the full time for which he is employed during the regular schoolday. In reporting the total number of full-time equivalent classroom teachers, there shall be included, in addition to those employees defined above, the full-time equivalent of all fractional time for which employees in positions requiring certification qualifications are required to devote to teaching pupils in the elementary schools of the district in regular day classes during the regular schoolday.

(d) For purposes of this section, the number of pupils enrolled in each class means the average of the active enrollment in that class on the last teaching day of each school month that ends before April 15 of each school year.

(e) This section shall not be applicable to school districts with less than 101 units of average daily attendance for the current fiscal year.

(f) The Superintendent shall adopt rules and regulations that he or she may deem necessary for the effective administration of this section. Those rules and regulations may specify that no decrease in average daily attendance reported under the provisions of Section 41601 shall be made for a school district on account of large classes due to instructional television or team teaching, which may necessarily involve class sizes at periods during the day larger than the standard set forth in this section.

SEC. 41. Section 41376.1 of the Education Code is amended to read:

41376.1. (a) Commencing with the 2013–14 fiscal year, until the Superintendent determines that a school district is funded pursuant to Section 42238.02 in the prior fiscal year, and notwithstanding the requirement to decrease average daily attendance pursuant to paragraphs (4), (5), and (6) of subdivision (a) of Section 41376 and subdivision (e) of Section 41378, the Superintendent shall compute a reduction to the school district local control funding formula entitlement pursuant to Section 42238.02, as

implemented by Section 42238.03, for the specified school year by the sum of the following:

(1) (A) Multiply the sum of the products obtained in subdivision (e) of Section 41378 and paragraph (4) of subdivision (a) of Section 41376 by the grade span adjusted base grant specified in subparagraph (A) of paragraph (1) of subdivision (d) of Section 42238.02, as annually adjusted for cost of living pursuant to paragraph (2) of subdivision (d) of Section 42238.02.

(B) Multiply the product obtained in subparagraph (A) by the sum of the entitlements computed pursuant to paragraphs (1) to (4), inclusive, of subdivision (a) of Section 42238.03 and paragraph (3) of subdivision (b) of Section 42238.03 for all school districts, divided by the sum of the local control funding formula entitlements computed pursuant to Section 42238.02 for all school districts.

(2) (A) Multiply the product obtained pursuant to paragraph (5) of subdivision (a) of Section 41376 by the average daily attendance for grades 4 to 6, inclusive, reported by the school district pursuant to Section 41601 for the specified school year divided by the average daily attendance for grades 4 to 8, inclusive, reported by the school district pursuant to Section 41601 for the specified school year.

(B) Multiply the product obtained in subparagraph (A) by the grade span adjusted base grant specified in subparagraph (B) of paragraph (1) of subdivision (d) of Section 42238.02, as annually adjusted for cost of living pursuant to paragraph (2) of subdivision (d) of Section 42238.02.

(C) Multiply the product obtained in subparagraph (B) by the sum of the entitlements computed pursuant to paragraphs (1) to (4), inclusive, of subdivision (a) of Section 42238.03 and paragraph (3) of subdivision (b) of Section 42238.03 for all school districts, divided by the sum of the local control funding formula entitlements computed pursuant to Section 42238.02 for all school districts.

(3) (A) Multiply the product obtained pursuant to paragraph (5) of subdivision (a) of Section 41376 by the average daily attendance for grades 7 and 8 reported by the school district pursuant to Section 41601 for the specified school year divided by the average daily attendance for grades 4 to 8, inclusive, reported by the school district pursuant to Section 41601 for the specified school year.

(B) Multiply the product obtained in subparagraph (A) by the grade span adjusted base grant specified in subparagraph (C) of paragraph (1) of subdivision (d) of Section 42238.02, as annually adjusted for cost of living pursuant to paragraph (2) of subdivision (d) of Section 42238.02.

(C) Multiply the product obtained in subparagraph (B) by the sum of the entitlements computed pursuant to paragraphs (1) to (4), inclusive, of subdivision (a) of Section 42238.03 and paragraph (3) of subdivision (b) of Section 42238.03 for all school districts, divided by the sum of the local control funding formula entitlements computed pursuant to Section 42238.02 for all school districts.

(b) Commencing with the 2013–14 fiscal year, if the Superintendent determines that a school district is funded pursuant to Section 42238.02 in

the prior fiscal year, and notwithstanding the requirement to decrease average daily attendance pursuant to paragraphs (4), (5), and (6) of subdivision (a) of Section 41376 and subdivision (e) of Section 41378, the Superintendent shall compute a reduction to the school district local control funding formula entitlement pursuant to Section 42238.02 for the specified school year by the sum of the following:

(1) Multiply the sum of the products obtained in subdivision (e) of Section 41378 and paragraph (4) of subdivision (a) of Section 41376 by the grade span adjusted base grant specified in subparagraph (A) of paragraph (1) of subdivision (d) of Section 42238.02, as annually adjusted for cost of living pursuant to paragraph (2) of subdivision (d) of Section 42238.02.

(2) (A) Multiply the product obtained pursuant to paragraph (5) of subdivision (a) of Section 41376 by the average daily attendance for grades 4 to 6, inclusive, reported by the school district pursuant to Section 41601 for the specified school year divided by the average daily attendance for grades 4 to 8, inclusive, reported by the school district pursuant to Section 41601 for the specified school year.

(B) Multiply the product obtained in subparagraph (A) by the grade span adjusted base grant specified in subparagraph (B) of paragraph (1) of subdivision (d) of Section 42238.02, as annually adjusted for cost of living pursuant to paragraph (2) of subdivision (d) of Section 42238.02.

(3) (A) Multiply the product obtained pursuant to paragraph (5) of subdivision (a) of Section 41376 by the average daily attendance for grades 7 and 8 reported by the school district pursuant to Section 41601 for the specified school year divided by the average daily attendance for grades 4 to 8, inclusive, reported by the school district pursuant to Section 41601 for the specified school year.

(B) Multiply the product obtained in subparagraph (A) by the grade span adjusted base grant specified in subparagraph (C) of paragraph (1) of subdivision (d) of Section 42238.02, as annually adjusted for cost of living pursuant to paragraph (2) of subdivision (d) of Section 42238.02.

SEC. 42. Section 41544 of the Education Code is amended to read:

41544. (a) For a basic aid school district that was entitled to reimbursement pursuant to former Section 42247.4, as that section read on January 1, 2001, and that received an apportionment pursuant to subdivision (h) of former Section 42247.4, as that section read on January 1, 2001, because a court order directs pupils to transfer to that school district as part of the court-ordered voluntary pupil transfer program, the Superintendent, from the 2001–02 fiscal year to the 2012–13 fiscal year, inclusive, shall calculate an apportionment of state funds for that basic aid school district that provides 70 percent of the school district revenue limit calculated pursuant to former Section 42238, as that section read on January 1, 2013, that would have been apportioned to the school district from which the pupils were transferred for the average daily attendance of any pupils credited under that court order who did not attend the basic aid school district before the 1995–96 fiscal year.

(b) (1) For a basic aid school district that was entitled to reimbursement pursuant to former Section 42247.4, as that section read on January 1, 2001, and that received an apportionment pursuant to subdivision (h) of former Section 42247.4, as that section read on January 1, 2001, because a court order directs pupils to transfer to that school district as part of the court-ordered voluntary pupil transfer program, the Superintendent, commencing with the 2013–14 fiscal year, shall calculate an apportionment of state funds for that basic aid school district that provides 70 percent of the school district local control funding formula base grant calculated pursuant to subdivision (d) of Section 42238.02, as implemented by Section 42238.03, that would have been apportioned to the school district from which the pupils were transferred for the average daily attendance of any pupils credited under that court order who did not attend the basic aid school district before the 1995–96 fiscal year.

(2) Notwithstanding paragraph (1), until the Superintendent determines that the school district from which the pupil or pupils were transferred is funded pursuant to Section 42238.02 in the prior fiscal year, the Superintendent shall apportion, for average daily attendance credited pursuant to paragraph (1), the lesser of the amount calculated pursuant to paragraph (1) or 70 percent of the sum of the entitlements for the school district from which the pupil or pupils were transferred for the specified fiscal year as computed pursuant to paragraphs (1) to (4), inclusive, of subdivision (a), and paragraph (3) of subdivision (b), of Section 42238.03, divided by the average daily attendance of that school district for that fiscal year and then multiplied by the ratio of local control funding formula base grant funding computed pursuant to subdivision (d) of Section 42238.02 to the local control funding formula amount for that fiscal year computed pursuant to Section 42238.02.

(3) If the entitlements for the school district from which the pupil or pupils were transferred computed pursuant to paragraphs (1) to (4), inclusive, of subdivision (a), and paragraph (3) of subdivision (b), of Section 42238.03, include funding calculated pursuant to Article 4 (commencing with Section 42280) of Chapter 7 for a fiscal year, paragraph (2) shall not apply and the apportionment of state funds for the average daily attendance credited pursuant to this section for that fiscal year shall be calculated pursuant to paragraph (1).

(c) For purposes of subdivision (b), “basic aid school district” means a school district that does not receive from the state, for any fiscal year in which this section is applied, an apportionment of state funds pursuant to subdivision (o) of Section 42238.02.

SEC. 43. Section 41610 of the Education Code is repealed.

SEC. 44. Section 42127 of the Education Code is amended to read:

42127. (a) On or before July 1 of each year, the governing board of each school district shall accomplish the following:

(1) Hold a public hearing conducted in accordance with Section 42103 on the budget to be adopted for the subsequent fiscal year. The budget to be adopted shall be prepared in accordance with Section 42126. The agenda

for that hearing shall be posted at least 72 hours before the public hearing and shall include the location where the budget will be available for public inspection.

(2) (A) Adopt a budget. Not later than five days after that adoption or by July 1, whichever occurs first, the governing board of the school district shall file that budget with the county superintendent of schools. The budget and supporting data shall be maintained and made available for public review. If the governing board of the school district does not want all or a portion of the property tax requirement levied for the purpose of making payments for the interest and redemption charges on indebtedness as described in paragraph (1) or (2) of subdivision (b) of Section 1 of Article XIII A of the California Constitution, the budget shall include a statement of the amount or portion for which a levy shall not be made. For the 2014–15 fiscal year and each fiscal year thereafter, the governing board of the school district shall not adopt a budget before the governing board of the school district adopts a local control and accountability plan, if an existing local control and accountability plan or annual update to a local control and accountability plan is not effective for the budget year. The governing board of a school district shall not adopt a budget that does not include the expenditures necessary to implement the local control and accountability plan or the annual update to a local control and accountability plan that is effective for the budget year.

(B) Commencing with budgets adopted for the 2015–16 fiscal year, the governing board of a school district that proposes to adopt a budget that includes a combined assigned and unassigned ending fund balance in excess of the minimum recommended reserve for economic uncertainties adopted by the state board pursuant to subdivision (a) of Section 33128, shall, at the public hearing held pursuant to paragraph (1), provide all of the following for public review and discussion:

(i) The minimum recommended reserve for economic uncertainties for each fiscal year identified in the budget.

(ii) The combined assigned and unassigned ending fund balances that are in excess of the minimum recommended reserve for economic uncertainties for each fiscal year identified in the budget.

(iii) A statement of reasons that substantiates the need for an assigned and unassigned ending fund balance that is in excess of the minimum recommended reserve for economic uncertainties for each fiscal year that the school district identifies an assigned and unassigned ending fund balance that is in excess of the minimum recommended reserve for economic uncertainties, as identified pursuant to clause (ii).

(C) The governing board of a school district shall include the information required pursuant to subparagraph (B) in its budgetary submission each time it files an adopted or revised budget with the county superintendent of schools. The information required pursuant to subparagraph (B) shall be maintained and made available for public review.

(b) The county superintendent of schools may accept changes in any statement included in the budget, pursuant to subdivision (a), of the amount

or portion for which a property tax levy shall not be made. The county superintendent of schools or the county auditor shall compute the actual amounts to be levied on the property tax rolls of the school district for purposes that exceed apportionments to the school district pursuant to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code. Each school district shall provide all data needed by the county superintendent of schools or the county auditor to compute the amounts. On or before August 15, the county superintendent of schools shall transmit the amounts computed to the county auditor who shall compute the tax rates necessary to produce the amounts. On or before September 1, the county auditor shall submit the rate computed to the board of supervisors for adoption.

(c) The county superintendent of schools shall do all of the following:

(1) Examine the adopted budget to determine whether it complies with the standards and criteria adopted by the state board pursuant to Section 33127 for application to final local educational agency budgets. The county superintendent of schools shall identify, if necessary, technical corrections that are required to be made to bring the budget into compliance with those standards and criteria.

(2) Determine whether the adopted budget will allow the school district to meet its financial obligations during the fiscal year and is consistent with a financial plan that will enable the school district to satisfy its multiyear financial commitments. In addition to his or her own analysis of the budget of each school district, the county superintendent of schools shall review and consider studies, reports, evaluations, or audits of the school district that were commissioned by the school district, the county superintendent of schools, the Superintendent, and state control agencies and that contain evidence that the school district is showing fiscal distress under the standards and criteria adopted in Section 33127 or that contain a finding by an external reviewer that more than 3 of the 15 most common predictors of a school district needing intervention, as determined by the County Office Fiscal Crisis and Management Assistance Team, are present. The county superintendent of schools shall either conditionally approve or disapprove a budget that does not provide adequate assurance that the school district will meet its current and future obligations and resolve any problems identified in studies, reports, evaluations, or audits described in this paragraph.

(3) Determine whether the adopted budget includes the expenditures necessary to implement the local control and accountability plan or annual update to the local control and accountability plan approved by the county superintendent of schools.

(4) Determine whether the adopted budget includes a combined assigned and unassigned ending fund balance that exceeds the minimum recommended reserve for economic uncertainties. If the adopted budget includes a combined assigned and unassigned ending fund balance that exceeds the minimum recommended reserve for economic uncertainties, the county superintendent of schools shall verify that the school district complied with

the requirements of subparagraphs (B) and (C) of paragraph (2) of subdivision (a).

(d) (1) On or before September 15, the county superintendent of schools shall approve, conditionally approve, or disapprove the adopted budget for each school district. For the 2014–15 fiscal year and each fiscal year thereafter, the county superintendent of schools shall disapprove a budget if the county superintendent of schools determines that the budget does not include the expenditures necessary to implement a local control and accountability plan or an annual update to the local control and accountability plan approved by the county superintendent of schools. If the governing board of a school district does not submit a budget to the county superintendent of schools, the county superintendent of schools shall develop, at school district expense, a budget for that school district by September 15 and transmit that budget to the governing board of the school district. The budget prepared by the county superintendent of schools shall be deemed adopted, unless the county superintendent of schools approves any modifications made by the governing board of the school district. The budget prepared by the county superintendent of schools shall also comply with the requirements of subparagraph (B) of paragraph (2) of subdivision (a). The approved budget shall be used as a guide for the school district's priorities. The Superintendent shall review and certify the budget approved by the county. If, pursuant to the review conducted pursuant to subdivision (c), the county superintendent of schools determines that the adopted budget for a school district does not satisfy paragraph (1), (2), (3), or (4) of that subdivision, he or she shall conditionally approve or disapprove the budget and, not later than September 15, transmit to the governing board of the school district, in writing, his or her recommendations regarding revision of the budget and the reasons for those recommendations, including, but not limited to, the amounts of any budget adjustments needed before he or she can approve that budget. The county superintendent of schools may assign a fiscal adviser to assist the school district to develop a budget in compliance with those revisions. In addition, the county superintendent of schools may appoint a committee to examine and comment on the superintendent's review and recommendations, subject to the requirement that the committee report its findings to the county superintendent of schools no later than September 20.

(2) Notwithstanding any other provision of this article, for the 2014–15 fiscal year and each fiscal year thereafter, the budget shall not be adopted or approved by the county superintendent of schools before a local control and accountability plan or update to an existing local control and accountability plan for the budget year is approved.

(3) If the adopted budget of a school district is conditionally approved or disapproved pursuant to paragraph (1), on or before October 8, the governing board of the school district, in conjunction with the county superintendent of schools, shall review and respond to the recommendations of the county superintendent of schools at a regular meeting of the governing board of the school district. The response shall include any revisions to the

adopted budget and other proposed actions to be taken, if any, as a result of those recommendations.

(e) On or before October 22, the county superintendent of schools shall provide a list to the Superintendent identifying all school districts for which budgets may be disapproved.

(f) (1) The county superintendent of schools shall examine the revised budget as provided in paragraph (3) of subdivision (d) to determine whether it (A) complies with the standards and criteria adopted by the state board pursuant to Section 33127 for application to final local educational agency budgets, (B) allows the school district to meet its financial obligations during the fiscal year, (C) satisfies all conditions established by the county superintendent of schools in the case of a conditionally approved budget, (D) is consistent with a financial plan that will enable the school district to satisfy its multiyear financial commitments, and, not later than November 8, shall approve or disapprove the revised budget, and (E) whether the revised budget complies with the requirements of subparagraph (B) of paragraph (2) of subdivision (a). If the county superintendent of schools disapproves the budget, he or she shall call for the formation of a budget review committee pursuant to Section 42127.1, unless the governing board of the school district and the county superintendent of schools agree to waive the requirement that a budget review committee be formed and the department approves the waiver after determining that a budget review committee is not necessary. Upon the grant of a waiver, the county superintendent of schools immediately has the authority and responsibility provided in Section 42127.3. Upon approving a waiver of the budget review committee, the department shall ensure that a balanced budget is adopted for the school district by December 31. If no budget is adopted by December 31, the Superintendent may adopt a budget for the school district. The Superintendent shall report to the Legislature and the Director of Finance by January 10 if any school district, including a school district that has received a waiver of the budget review committee process, does not have an adopted budget by December 31. This report shall include the reasons why a budget has not been adopted by the deadline, the steps being taken to finalize budget adoption, the date the adopted budget is anticipated, and whether the Superintendent has or will exercise his or her authority to adopt a budget for the school district.

(2) Notwithstanding any other law, for the 2014–15 fiscal year and each fiscal year thereafter, if the county superintendent of schools disapproves the budget for the sole reason that the county superintendent of schools has not approved a local control and accountability plan or an annual update to the local control and accountability plan filed by the governing board of the school district pursuant to Section 52070, the county superintendent of schools shall not call for the formation of a budget review committee pursuant to Section 42127.1.

(g) Not later than November 8, the county superintendent of schools shall submit a report to the Superintendent identifying all school districts for which budgets have been disapproved or budget review committees waived.

The report shall include a copy of the written response transmitted to each of those school districts pursuant to paragraph (1) of subdivision (d).

(h) Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act.

(i) Any school district for which the county board of education serves as the governing board of the school district is not subject to subdivisions (c) to (h), inclusive, but is governed instead by the budget procedures set forth in Section 1622.

SEC. 45. Section 42127.1 of the Education Code is amended to read:

42127.1. (a) Pursuant to subdivision (g) or (i) of Section 42127, upon the disapproval of a school district budget by the county superintendent of schools, the county superintendent of schools shall call for the formation of a budget review committee unless the governing board of the school district and the county superintendent of schools agree to waive the requirement that a budget review committee be formed, and the department approves the waiver after determining that a budget review committee is not necessary. Upon the grant of a waiver, the county superintendent has the authority and responsibility provided to a budget review committee in Section 42127.3. Upon approving a waiver of the budget review committee, the department shall ensure that a balanced budget is adopted for the school district by December 31. The Superintendent shall report to the Legislature and the Director of Finance by January 10 if any district, including a school district that has received a waiver of the budget review committee process, does not have an adopted budget by December 31. This report shall include the reasons why a budget has not been adopted by the deadline, the steps being taken to finalize budget adoption, and the date the adopted budget is anticipated.

(b) The budget review committee shall be composed of three persons selected by the governing board of the school district from a list of candidates provided to the governing board of the school district by the Superintendent. The list of candidates shall be composed of persons who have expertise in the management of a school district or county office of education. Their experience shall include, but not be limited to, the fiscal and educational aspects of local educational agency management.

(c) Notwithstanding subdivision (b) or any other provision of this article, with the approval of the Superintendent and the governing board of the school district, the county superintendent of schools may select and convene a regional review committee, consisting of persons having the expertise described in that subdivision. The regional review committee shall operate in place of the budget review committee, in accordance with the provisions of this article governing budget review committees.

(d) Members of the committee shall be reimbursed by the department for their services and associated expenses while on official business at rates established by the state board.

SEC. 46. Section 42127.2 of the Education Code is amended to read:

42127.2. (a) The governing board of a school district shall, no later than five working days after the receipt of a candidate list from the Superintendent pursuant to Section 42127.1, select a budget review committee, and the Superintendent shall convene the committee no later than five working days following that selection. If the governing board of the school district fails to select a committee within the period of time permitted by this subdivision, the Superintendent instead shall select and convene the budget review committee no later than 10 working days after the district's receipt of the candidate list.

(b) On or before November 30, the budget review committee shall review the proposed budget of the district and the underlying fiscal policies of the school district and transmit to the Superintendent of Public Instruction, the county superintendent of schools, and the governing board of the school district either of the following:

(1) The recommendation that the school district budget be approved.

(2) A report disapproving the school district budget and setting forth recommendations for revisions to the school district budget that would enable the district to meet its financial obligations both in the current fiscal year and with regard to the district's multiyear financial commitments.

(c) The Superintendent may extend the deadline set forth in subdivision (b) for a period of not more than 15 working days.

(d) The Superintendent shall establish criteria and procedures governing the performance by budget review committees of their duties pursuant to this section.

(e) Upon request of the county superintendent of schools, the Controller's office may conduct an audit or review of the fiscal condition of the school district in order to assist a budget review committee or regional review committee for the purposes of this section.

SEC. 47. Section 42127.3 of the Education Code is amended to read:

42127.3. (a) If the budget review committee established pursuant to Sections 42127.1 and 42127.2 recommends approval of the school district budget, the county superintendent of schools shall accept the recommendation of the budget review committee and approve the budget.

(b) If the budget review committee established pursuant to Sections 42127.1 and 42127.2 disapproves the school district budget, the governing board of the school district, not later than five working days after receipt of the report described in paragraph (2) of subdivision (b) of Section 42127.2, may submit a response to the Superintendent, including any revisions to the adopted final budget and any other proposed actions to be taken as a result of the recommendations of the budget review committee. Based upon the recommendations of the budget review committee and any response to those recommendations provided by the governing board of the school district, the Superintendent shall either approve or disapprove the budget. If the Superintendent disapproves the budget, he or she shall notify the governing board of the school district in writing of the reasons for that disapproval and, until the county superintendent of schools certifies the school district's

first interim report pursuant to Section 42131, the county superintendent of schools shall do the following as necessary:

(1) On or before December 31, develop and adopt, in consultation with the Superintendent and the governing board of the school district, a fiscal plan and budget that will govern the district and will allow the district to meet its financial obligations, both in the current fiscal year and with regard to the district's multiyear financial commitments. The Superintendent may extend the date by which the county superintendent of schools is required to develop and adopt a fiscal plan and budget. The governing board of the school district shall govern the operation of the school district for the current fiscal year in accordance with that adopted budget.

(2) Cancel purchase orders, prohibit the issuance of nonsalary warrants, and otherwise stay or rescind any action that is inconsistent with the budget adopted pursuant to paragraph (1). The county superintendent of schools shall inform the governing board of the school district in writing of his or her justification for any exercise of authority under this paragraph.

(3) Monitor and review the operation of the school district.

(4) Determine the need for additional staff and may employ, subject to approval by the Superintendent, short-term analytical assistance or expertise to validate financial information if the school district staff does not have the expertise or staff.

(5) Require the school district to encumber all contracts and other obligations, to prepare appropriate cashflow analyses and monthly or quarterly budget revisions, and to appropriately record all receivables and payables.

(6) Determine whether there are any financial problem areas and may employ, subject to approval by the Superintendent, a certified public accounting firm to investigate financial problem areas.

(7) Withhold compensation of the members of the governing board of the school district and the superintendent of the school district for failure to provide requested financial information. A forfeiture may be appealed to the Superintendent pursuant to subdivision (b) of Section 42127.6.

(c) If, during the selection of the budget review committee or during the committee's review of the budget, an agreement is reached between the governing board of the school district and the county superintendent of schools, and the school district revises its budget to comply with this agreement, the county superintendent of schools shall approve the school district budget and the budget review committee selection, or its review of the budget, shall be canceled.

(d) The school district shall pay 75 percent and the county office of education shall pay 25 percent of the actual administrative expenses incurred pursuant to subdivision (b), or costs associated with improving the district's financial management practices. The Superintendent shall develop, and distribute to affected school districts and county offices of education, advisory guidelines regarding the appropriate amount of any fees charged pursuant to this subdivision.

(e) This section shall not be construed to authorize the county superintendent of schools to abrogate any provision of a collective bargaining agreement that was entered into by a school district prior to the date upon which the county superintendent of schools disapproved the budget of the school district pursuant to subdivision (b).

SEC. 48. Section 42127.8 of the Education Code is amended to read:

42127.8. (a) The governing board provided for in subdivision (b) shall establish a unit to be known as the County Office Fiscal Crisis and Management Assistance Team. The team shall consist of persons having extensive experience in school district budgeting, accounting, data processing, telecommunications, risk management, food services, pupil transportation, purchasing and warehousing, facilities maintenance and operation, and personnel administration, organization, and staffing. The Superintendent may appoint one employee of the department to serve on the unit. The unit shall be operated under the immediate direction of an appropriate county office of education selected jointly, in response to an application process, by the Superintendent and the president of the state board or his or her designee.

(b) The unit established under subdivision (a) shall be selected and governed by a 25-member governing board consisting of one representative chosen by the California County Superintendents Educational Services Association from each of the 11 county service regions designated by the association, 11 superintendents of school districts chosen by the Association of California School Administrators from each of the 11 county service regions, one representative from the department chosen by the Superintendent, the Chancellor of the California Community Colleges or his or her designee, and one member of a community college district governing board chosen by the chancellor. The governing board of the County Office Fiscal Crisis and Management Assistance Team shall select a county superintendent of schools to chair the unit.

(c) (1) The Superintendent may request the unit to provide the assistance described in subdivision (b) of Section 1624, Section 1630, subdivision (b) of Section 42127.3, subdivision (c) of Section 42127.6, and Section 42127.9, and with the computation described in subdivision (a) of Section 42238.2, and to review the fiscal and administrative condition of any county office of education, school district, or charter school.

(2) A county superintendent of schools may request the unit to review the fiscal or administrative condition of a school district or charter school under his or her jurisdiction.

(3) The Board of Governors of the California Community Colleges may request the unit to provide the assistance described in Section 84041.

(d) In addition to the functions described in subdivision (c), the unit shall do all of the following:

(1) Provide fiscal management assistance, at the request of any school district, charter school, or county office of education, or, pursuant to subdivision (g) of Section 84041, at the request of any community college district. Each school district, charter school, or county office of education

receiving that assistance shall be required to pay the onsite personnel costs and travel costs incurred by the unit for that purpose, pursuant to rates determined by the governing board established under subdivision (b). The governing board annually shall distribute rate information to each school district, charter school, and county office of education.

(2) Facilitate training for members of the governing board of the school district, district and county superintendents, chief financial officers within the district, and schoolsite personnel whose primary responsibility is to address fiscal issues. Training services shall emphasize efforts to improve fiscal accountability and expand the fiscal competency of local agencies. The unit shall use state professional associations, private organizations, and public agencies to provide guidance, support, and the delivery of any training services.

(3) Facilitate fiscal management training through the 11 county service regions to county office of education staff to ensure that they develop the technical skills necessary to perform their fiduciary duties. The governing board established pursuant to subdivision (b) shall determine the extent of the training that is necessary to comply with this paragraph.

(4) Produce a training calendar, to be disseminated semiannually to each county service region, that publicizes all of the fiscal training services that are being offered at the local, regional, and state levels.

(e) The governing board shall reserve not less than 25 percent, nor more than 50 percent, of its revenues each year for expenditure for the costs of contracts and professional services as management assistance to school districts or county superintendents of schools in which the board determines that a fiscal emergency exists.

(f) The governing board established under subdivision (b) may levy an annual assessment against each county office of education that elects to participate under this section in an amount not to exceed twenty cents (\$0.20) per unit of total average daily attendance for all school districts within the county. The revenues collected pursuant to that assessment shall be applied to the expenses of the unit.

(g) The governing board established under subdivision (b) may pay to the department, from any available funds, a reasonable amount to reimburse the department for actual administrative expenses incurred in the review of the budgets and fiscal conditions of school districts, charter schools, and county superintendents of schools.

(h) When employed as a fiscal adviser by the department pursuant to Section 1630, employees of the unit established pursuant to subdivision (a) shall be considered employees of the department for purposes of errors and omissions liability insurance.

(i) (1) The unit shall request and review applications to establish regional teams of education finance experts throughout the state.

(2) To the extent that funding is provided for purposes of this subdivision in the annual Budget Act or through another appropriation, regional teams selected by the Superintendent, in consultation with the unit, shall provide

training and technical expertise to school districts, charter schools, and county offices of education facing fiscal difficulties.

(3) The regional teams shall follow the standards and guidelines of and remain under the general supervision of the governing board established under subdivision (b).

(4) It is the intent of the Legislature that, to the extent possible, the regional teams be distributed geographically throughout the various regions of the state in order to provide timely, cost-effective expertise to school districts, charter schools, county offices of education, and community college districts throughout the state.

SEC. 49. Section 42238.01 of the Education Code is amended to read:

42238.01. For purposes of Section 42238.02, the following definitions shall apply:

(a) “Eligible for free or reduced-price meals” means determined to meet federal income eligibility criteria, either through completing an application for the federal National School Lunch Program or through an alternative household income data collection form, or deemed to be categorically eligible for free or reduced-price meals under the federal National School Lunch Program, as described in Part 245 of Title 7 of the Code of Federal Regulations.

(1) A school participating in a special assistance alternative authorized by Section 11(a)(1) of the Richard B. Russell National School Lunch Act (Public Law 113-79), including Provision 2, Provision 3, or the Community Eligibility Provision, may establish a base year for purposes of the local control funding formula by determining the pupils at the school who are eligible for free or reduced-price meals and using each pupil’s eligibility status in that base year to report eligibility for up to each of the following three school years. The school may include between base year eligibility determinations, any newly enrolled pupils who are determined to be eligible for free or reduced-price meals or any current pupils found to be newly eligible for free or reduced-price meals as identified through a local or state direct certification match or another categorical designation.

(2) A school that uses the special assistance alternative shall maintain information on each pupil’s eligibility status and annually submit information on that status in the California Longitudinal Pupil Achievement Data System pursuant to paragraph (2) of subdivision (b) of Section 42238.02 or subparagraph (A) of paragraph (3) of subdivision (b) of Section 2574, as applicable.

(3) For a pupil who transfers to a school using a special assistance alternative and who is transferring between schools within the same school district, documentation supporting eligibility for that pupil for purposes of the local control funding formula may be transferred from the pupil’s old school to the pupil’s new school, as long as the documentation supporting eligibility for that pupil is less than four years old and is updated at least once every four years.

(4) To the extent permitted by federal law, a school may choose to establish a new base year for purposes of the federal National School Lunch

Program at the same time the school establishes a new base year for purposes of the local control funding formula. A school may use federal National School Lunch Program application forms to collect household income data as permitted under the federal National School Lunch Program. If the use of federal National School Lunch Program application forms is not permitted, a school shall use alternative household income data collection forms.

(5) An alternative household income data collection form shall be confidential and shall not be shared by the school other than as necessary for purposes of determining funding allocations under the local control funding formula and for assessing the accountability of that funding. An alternative household income data collection form shall contain, at a minimum, all of the following information:

(A) Information sufficient to identify the pupil or pupils.

(B) Information sufficient to determine that the pupil or household meets federal income eligibility criteria sufficient to qualify for either a free or reduced-priced meal under the Richard B. Russell National School Lunch Act (Public Law 113-79).

(C) Certification that the information is true and correct by the pupil's adult household member.

(6) Paragraphs (1) and (3) are effective commencing with the 2014–15 fiscal year.

(b) “Foster youth” means any of the following:

(1) A child who is the subject of a petition filed pursuant to Section 300 of the Welfare and Institutions Code, whether or not the child has been removed from his or her home by the juvenile court pursuant to Section 319 or 361 of the Welfare and Institutions Code.

(2) A child who is the subject of a petition filed pursuant to Section 602 of the Welfare and Institutions Code, has been removed from his or her home by the juvenile court pursuant to Section 727 of the Welfare and Institutions Code, and is in foster care as defined by subdivision (d) of Section 727.4 of the Welfare and Institutions Code.

(3) A nonminor under the transition jurisdiction of the juvenile court, as described in Section 450 of the Welfare and Institutions Code, who satisfies all of the following criteria:

(A) He or she has attained 18 years of age while under an order of foster care placement by the juvenile court, and is not more than 19 years of age on or after January 1, 2012, not more than 20 years of age on or after January 1, 2013, and not more than 21 years of age, on or after January 1, 2014, and as described in Section 10103.5 of the Welfare and Institutions Code.

(B) He or she is in foster care under the placement and care responsibility of the county welfare department, county probation department, Indian tribe, consortium of tribes, or tribal organization that entered into an agreement pursuant to Section 10553.1 of the Welfare and Institutions Code.

(C) He or she is participating in a transitional independent living case plan pursuant to Section 475(8) of the federal Social Security Act (42 U.S.C. Sec. 675), as contained in the federal Fostering Connections to Success and

Increasing Adoptions Act of 2008 (Public Law 110-351), as described in Section 11403 of the Welfare and Institutions Code.

(c) “Pupils of limited English proficiency” means pupils who do not have the clearly developed English language skills of comprehension, speaking, reading, and writing necessary to receive instruction only in English at a level substantially equivalent to pupils of the same age or grade whose primary language is English. “English learner” shall have the same meaning as provided for in subdivision (a) of Section 306 and as “pupils of limited English proficiency.”

SEC. 50. Section 42238.4 of the Education Code is repealed.

SEC. 51. Section 42238.41 of the Education Code is repealed.

SEC. 52. Section 42238.42 of the Education Code is repealed.

SEC. 53. Section 42238.43 of the Education Code is repealed.

SEC. 54. Section 42238.44 of the Education Code is repealed.

SEC. 55. Section 42238.445 of the Education Code is repealed.

SEC. 56. Section 42238.45 of the Education Code is repealed.

SEC. 57. Section 42238.46 of the Education Code is repealed.

SEC. 58. Section 42238.48 of the Education Code is repealed.

SEC. 59. Section 42238.485 of the Education Code is repealed.

SEC. 60. Section 42238.49 of the Education Code is repealed.

SEC. 61. Section 42238.7 of the Education Code is repealed.

SEC. 62. Section 42238.8 of the Education Code is repealed.

SEC. 63. Section 42238.9 of the Education Code is repealed.

SEC. 64. Section 42238.95 of the Education Code is repealed.

SEC. 65. Section 42238.11 of the Education Code is repealed.

SEC. 66. Section 42238.12 of the Education Code is repealed.

SEC. 67. Section 42238.13 of the Education Code is repealed.

SEC. 68. Section 42238.14 of the Education Code is repealed.

SEC. 69. Section 42238.145 of the Education Code is repealed.

SEC. 70. Section 42238.146 of the Education Code is repealed.

SEC. 71. Section 42238.17 of the Education Code is repealed.

SEC. 72. Section 42238.23 of the Education Code is repealed.

SEC. 73. Section 42239 of the Education Code is repealed.

SEC. 74. Section 42240 of the Education Code is repealed.

SEC. 75. Section 42240.1 of the Education Code is repealed.

SEC. 76. Section 42241.3 of the Education Code is repealed.

SEC. 77. Section 42241.7 of the Education Code is repealed.

SEC. 78. Section 42243.7 of the Education Code is repealed.

SEC. 79. Section 42244 of the Education Code is repealed.

SEC. 80. Section 42245 of the Education Code is repealed.

SEC. 81. Section 42280 of the Education Code is amended to read:

42280. (a) For each school district that meets, in the current or prior fiscal year, the conditions specified in Section 42282 or 42284 the Superintendent shall compute, for each qualifying school in the school district, an amount pursuant to this article.

(b) The amount of funding for each qualified school district shall equal the greater of either of the following:

(1) The sum of necessary small elementary school allowances determined pursuant to Section 42282 for the prior year average daily attendance and the number of full-time teachers, and necessary small high school allowances determined pursuant to Section 42284 for the prior year average daily attendance and the number of certificated employees.

(2) The sum of necessary small elementary school allowances determined pursuant to Section 42282 for the current year average daily attendance and the number of full-time teachers, and necessary small high school allowances determined pursuant to Section 42284 for the current year average daily attendance and the number of certificated employees.

SEC. 82. Section 42281 of the Education Code is repealed.

SEC. 83. Section 42282 of the Education Code is amended to read:

42282. For each district with fewer than 2,501 units of second principal apportionment average daily attendance, on account of each necessary small school, the Superintendent shall make the following computations:

(a) For each necessary small school which has an average daily attendance during the fiscal year of less than 25, exclusive of pupils attending the 7th and 8th grades of a junior high school, and for which school at least one teacher was hired full time, the Superintendent shall compute for the school district fifty-two thousand nine hundred twenty-five dollars (\$52,925).

(b) For each necessary small school which has an average daily attendance during the fiscal year of 25 or more and less than 49, exclusive of pupils attending the 7th and 8th grades of a junior high school, and for which school at least two teachers were hired full time for more than one-half of the days schools were maintained, the Superintendent shall compute for the school district one hundred five thousand eight hundred fifty dollars (\$105,850).

(c) For each necessary small school which has an average daily attendance during the fiscal year of 49 or more, but less than 73, exclusive of pupils attending the 7th and 8th grades of a junior high school, and for which school three teachers were hired full time for more than one-half of the days schools were maintained, the Superintendent shall compute for the school district one hundred fifty-eight thousand seven hundred seventy-five dollars (\$158,775).

(d) For each necessary small school which has an average daily attendance during the fiscal year of 73 or more and less than 97, exclusive of pupils attending the 7th and 8th grades of a junior high school, and for which school four teachers were hired full time for more than one-half of the days schools were maintained, the Superintendent shall compute for the school district two hundred eleven thousand seven hundred dollars (\$211,700).

(e) A school district that continues to satisfy the criteria specified in Section 42283 may use this funding calculation until the local control funding formula grade span adjusted base grant calculated pursuant to subdivision (d) of Section 42238.02 produces state aid equal to the small school funding formula.

SEC. 84. Section 42283 of the Education Code is amended to read:

42283. (a) For purposes of Section 42282, a “necessary small school” is an elementary school with an average daily attendance of less than 97 pupils, excluding pupils attending the seventh and eighth grades of a junior high school, maintained by a school district to which any of the following conditions apply:

(1) If as many as five pupils residing in the school district and attending kindergarten and grades 1 to 8, inclusive, excluding pupils attending the seventh and eighth grades of a junior high school, in the elementary school with an average daily attendance of less than 97 pupils would be required to travel more than 10 miles one way from a point on a well-traveled road nearest their home to the nearest other public elementary school.

(2) If as many as 15 pupils residing in the school district and attending kindergarten and grades 1 to 8, inclusive, excluding pupils attending the seventh and eighth grades of a junior high school, in the elementary school with an average daily attendance of less than 97 pupils would be required to travel more than five miles one way from a point on a well-traveled road nearest their home to the nearest other public elementary school.

(3) If topographical or other conditions exist in a school district that would impose unusual hardships if the number of miles specified in paragraph (1) or (2) were required to be traveled, or if during the fiscal year the roads that would be traveled have been impassable for more than an average of two weeks per year for the preceding five years, the governing board of the school district may, on or before April 1, request the Superintendent, in writing, for an exemption from these requirements or for a reduction in the miles required. The request shall be accompanied by a statement of the conditions upon which the request is based, giving the information in a form required by the Superintendent. The Superintendent shall cause an investigation to be made, and shall either grant the request to the extent he or she deems necessary, or deny the request.

(b) For purposes of this section, “other public elementary school” is a public school, including a charter school, that serves kindergarten or any of grades 1 to 8, inclusive, excluding grades 7 and 8 of a junior high school.

SEC. 85. Section 42284 of the Education Code is amended to read:

42284. (a) For each school district with fewer than 2,501 units of average daily attendance, on account of each necessary small high school, the Superintendent shall make one of the following computations selected with regard only to the number of certificated employees employed or average daily attendance, whichever provides the lesser amount:

Average daily attendance	Minimum number of certificated employees	Amount to be computed
1–19	less than 3	\$42,980 per teacher
1–19	3	191,340
20–38	4	234,320

39–57	5	277,300
58–71	6	320,280
72–86	7	363,260
87–100	8	406,240
101–114	9	449,220
115–129	10	492,200
130–143	11	535,180
144–171	12	578,160
172–210	13	621,140
211–248	14	664,120
249–286	15	707,100

(b) For purposes of this section, a “certificated employee” means an equivalent full-time position of an individual holding a credential authorizing service and providing service in any of grades 9 to 12, inclusive, in any secondary school. Any fraction of an equivalent full-time position remaining after all equivalent full-time positions for certificated employees within the school district have been calculated shall be deemed to be a full-time position.

(c) A school district that continues to satisfy the criteria specified in Section 42285 may use the funding calculation as provided in this section until the local control funding formula grade span adjusted base grant calculated pursuant to subdivision (d) of Section 42238.02 produces state aid equal to the funding provided under this section.

SEC. 86. Section 42285 of the Education Code is amended to read:

42285. (a) For purposes of Section 42284, a necessary small high school is a high school with an average daily attendance of less than 287 pupils that comes within any of the following conditions:

(1) The projection of its future enrollment on the basis of the enrollment of the elementary schools in the school district shows that within eight years the enrollment in high school in grades 9 to 12, inclusive, will exceed 286 pupils.

(2) Any one of the following combinations of distance and units of average daily attendance applies:

(A) The high school had an average daily attendance of less than 96 pupils in grades 9 to 12, inclusive, during the preceding fiscal year and is more than 15 miles by well-traveled road from the nearest other public high school and either 90 percent of the pupils would be required to travel 20 miles or 25 percent of the pupils would be required to travel 30 miles one way from a point on a well-traveled road nearest their homes to the nearest other public high school.

(B) The high school had an average daily attendance of 96 pupils or more and less than 144 pupils in grades 9 to 12, inclusive, during the preceding fiscal year and is more than 10 miles by well-traveled road from the nearest other public high school and either 90 percent of the pupils would be required to travel 18 miles or 25 percent of the pupils would be required to travel 25

miles one way from a point on a well-traveled road nearest their homes to the nearest other public high school.

(C) The high school had an average daily attendance of 144 pupils or more and less than 192 pupils in grades 9 to 12, inclusive, during the preceding fiscal year and is more than $7\frac{1}{2}$ miles by well-traveled road from the nearest other public high school and either 90 percent of the pupils would be required to travel 15 miles or 25 percent of the pupils would be required to travel 20 miles one way from a point on a well-traveled road nearest their homes to the nearest other public high school.

(D) The high school had an average daily attendance of 192 pupils or more and less than 287 pupils in grades 9 to 12, inclusive, during the preceding fiscal year and is more than 5 miles by well-traveled road from the nearest other public high school and either 90 percent of the pupils would be required to travel 10 miles or 25 percent of the pupils would be required to travel 15 miles to the nearest other public high school.

(3) Topographical or other conditions exist in the school district which would impose unusual hardships on the pupils if the number of miles specified in paragraph (2) were required to be traveled. In these cases, the Superintendent may, when requested, and after investigation, grant exceptions from the distance requirements.

(4) The Superintendent has approved the recommendation of a county committee on school district organization designating one of two or more schools as necessary isolated schools in a situation where the schools are operated by two or more school districts and the average daily attendance of each of the schools is less than 287 pupils in grades 9 to 12, inclusive.

(b) For purposes of Section 42284, a necessary small high school also includes any of the following:

(1) A high school maintained by a school district for the exclusive purpose of educating juvenile hall pupils or pupils with exceptional needs.

(2) A high school maintained by a county office of education for the exclusive purpose of educating foster youth if the high school provided instruction in the 2012–13 fiscal year and the high school is the only one maintained by the county office of education that exclusively educates foster youth. Notwithstanding Section 42286, this paragraph shall become inoperative on July 1, 2017.

(3) A high school maintained by a unified school district as the only comprehensive high school if the high school has an average daily attendance of less than 287 pupils and the school district has 50 or fewer pupils per square mile of school district territory, as measured by the number of pupils residing in the school district. Notwithstanding Section 42286, this paragraph shall become inoperative on July 1, 2017.

(c) For purposes of Section 42284, a necessary small high school does not include a continuation school.

(d) For purposes of this section, “other public high school” is a public school, including a charter school, that serves any of grades 9 to 12, inclusive.

SEC. 87. Section 42286 of the Education Code is amended to read:

42286. (a) If a high school is determined to be a necessary small high school pursuant to Section 42285, that status shall not be changed except as a review of the determinative factors made every two years following the date of the determination indicates that the determination should be changed.

(b) A high school that has not been determined to be a necessary small high school under Section 42285, may be determined to be a necessary small high school at the beginning of a fiscal year if it meets the criteria specified in Section 42285.

SEC. 88. Section 42287 of the Education Code is amended to read:

42287. (a) For the 1984–85 fiscal year to the 2012–13 fiscal year, inclusive, the Superintendent shall increase the funding amounts specified in Sections 42282 and 42284 by an amount proportionate to the increase applied to the statewide average revenue limit for unified school districts for the then current fiscal year.

(b) Commencing with the 2013–14 fiscal year, the Superintendent shall increase the funding amounts specified in Sections 42282 and 42284, as previously increased pursuant to subdivision (a) and Sections 42289 to 42289.5, inclusive, by the percentage calculated pursuant to paragraph (2) of subdivision (d) of Section 42238.02, subject to the criteria specified in paragraph (5) of subdivision (b) of Section 42238.03, for the then current fiscal year.

SEC. 89. Article 4.5 (commencing with Section 42290) of Chapter 7 of Part 24 of Division 3 of Title 2 of the Education Code is repealed.

SEC. 90. Section 42303 of the Education Code is repealed.

SEC. 91. Section 42604 of the Education Code is repealed.

SEC. 92. Section 45037 of the Education Code is amended to read:

45037. (a) Except as provided in Section 45036, for the fiscal year 2001-02 and for any fiscal year thereafter in which a person renders service as a teacher in kindergarten or any of grades 1 to 12, inclusive, who does not have a valid certification document, the school district or county office of education in which the person is employed shall be assessed a penalty that shall be calculated as provided in subdivision (b) and withheld from state funding otherwise due to the district or county office of education.

(1) Notwithstanding Section 46300, the attendance of the noncertificated person's pupils during the period of service shall be included in the computation of average daily attendance.

(2) The noncertificated person's period of service shall not be excluded from the determination of eligibility for instruction time pursuant to Article 8 (commencing with Section 46200) of Chapter 2 of Part 26.

(b) (1) For each person who rendered service in the employment of the district or county office of education as a teacher in kindergarten or any of grades 1 to 12, inclusive, during the fiscal year, add the total number of schooldays on which the person rendered any amount of the service.

(2) For each person who rendered service in the employment of the district or county office of education as a teacher in kindergarten or any of grades 1 to 12, inclusive, during the fiscal year, for a period of service during

which the person did not have a valid certification document, add the number of schooldays on which the person rendered any amount of the service without a valid certification document.

(3) Divide the number determined in paragraph (2) by the number determined in paragraph (1) and carry the result to four decimal places.

(4) Multiply a school district's local control funding formula grant apportionment for the fiscal year, calculated pursuant to Section 42238.02, as implemented by Section 42238.03, or a county office of education's local control funding formula alternative education grant computed pursuant to Section 2574, as apportioned pursuant to Section 2575, for the fiscal year, for the program in which the noncertificated person rendered service by the number determined in paragraph (3).

(c) Beginning in 2002–03, if a county office of education releases a warrant in favor of a person for whom a period of school district service is included in the calculation set forth in paragraph (2) of subdivision (b), and the warrant is either compensation for employment as a teacher or for employment in some other capacity if the county office of education has direct knowledge or is in possession of information giving rise to a reasonable inference that the person is rendering service as a teacher, the county office shall be assessed a penalty. The penalty assessed to a county office for any fiscal year in which one or more district teachers did not have a valid certification document shall be equal to the lesser of three amounts as follows:

(1) Fifty percent of all penalties assessed for that fiscal year to all school districts in the county office's jurisdiction pursuant to subdivision (b).

(2) One-half percent of the total expenditures for that fiscal year from unrestricted resources, as defined in the California School Accounting Manual, in the county office's county school service fund, when two or fewer districts in the county office's jurisdiction are subject to penalties pursuant to subdivision (b).

(3) One percent of the total expenditures for that fiscal year from unrestricted resources, as defined in the California School Accounting Manual, in the county office's county school service fund, when three or more districts in the county office's jurisdiction are subject to penalties pursuant to subdivision (b).

(d) Except as provided in Section 41344.1, nothing in this section may be waived in whole or in part.

SEC. 93. Section 46201.1 of the Education Code is repealed.

SEC. 94. Section 46602 of the Education Code is amended to read:

46602. (a) If the county board of education determines that the pupil should be permitted to attend in the school district in which he or she desires to attend, the pupil shall be admitted to school in the school district without delay and the attendance may be counted by the school district of attendance for state apportionment purposes.

(b) Written notice of the decision by the county board of education shall be delivered to the pupil and the parent or guardian, or person having custody of him or her, and to the governing boards of the school districts.

SEC. 95. Section 46603 of the Education Code is amended to read:

46603. (a) For a period not to exceed two school months, the governing board of a school district may provisionally admit to the schools of the school district a pupil who resides in another school district, pending a decision of the two governing boards of the school districts, or by the county board of education upon appeal, regarding the interdistrict attendance.

(b) Regardless of whether the decision on interdistrict attendance is allowed, the provisional attendance may be counted by the school district of attendance for state apportionment purposes.

SEC. 96. Section 47630 of the Education Code is amended to read:

47630. It is the intent of the Legislature that each charter school be provided with operational funding that is equal to the total funding that would be available to a similar school district serving a similar pupil population, except that a charter school may not be funded as a necessary small school or a necessary small high school.

SEC. 97. Section 47630.5 of the Education Code is amended to read:

47630.5. (a) This chapter applies to the calculation of operational funding for charter schools. Except as otherwise provided in this chapter, this chapter shall apply to all charter schools without regard to their sponsoring local education agency.

(b) Additional legal or fiscal responsibilities on the part of a county superintendent of schools are not imposed by this chapter, except as specifically provided in this chapter.

SEC. 98. Section 47635 of the Education Code is amended to read:

47635. (a) A sponsoring local educational agency shall annually transfer to each of its charter schools funding in lieu of property taxes equal to the lesser of the following two amounts:

(1) The average amount of property taxes per unit of average daily attendance, including average daily attendance attributable to charter schools, received by the local educational agency, multiplied by the charter school's average daily attendance.

(2) The local control funding formula grant funding computed pursuant to subdivision (d) of Section 42238.02, per unit of average daily attendance, multiplied by the charter school's average daily attendance in each of the four corresponding grade level ranges: kindergarten and grades 1, 2, and 3; grades 4, 5, and 6; grades 7 and 8; and grades 9 to 12, inclusive.

(3) Notwithstanding paragraph (2), until the Superintendent determines that a charter school is funded pursuant to Section 42238.02 in the prior fiscal year, the Superintendent shall apportion funding per unit of average daily attendance pursuant to this article. The base grant for purposes of paragraph (2) shall be the lesser of the amount calculated pursuant to paragraph (2) or the sum of the entitlements for the charter school in the specified fiscal year as computed pursuant to paragraphs (1) to (4), inclusive, of subdivision (a), and paragraph (3) of subdivision (b), of Section 42238.03, multiplied by the ratio of local control funding formula base grant funding computed pursuant to subdivision (d) of Section 42238.02 to the local control

funding formula amount for the fiscal year computed pursuant to Section 42238.02.

(4) If the sum of the funding transferred pursuant to this subdivision and the funding calculated pursuant to subdivision (e) of Section 42238.03 exceeds the sum of the amounts calculated pursuant to subdivisions (a) and (b) of Section 42238.03, the excess funding shall be used to offset funding calculated pursuant to subdivision (e) of Section 42238.03.

(b) The sponsoring local educational agency shall transfer funding in lieu of property taxes to the charter school in monthly installments, by no later than the 15th of each month.

(1) For the months of August to February, inclusive, a charter school's funding in lieu of property taxes shall be computed based on the amount of property taxes received by the sponsoring local educational agency during the preceding fiscal year, as reported to the Superintendent for purposes of the second principal apportionment. A sponsoring local educational agency shall transfer to the charter school the charter school's estimated annual entitlement to funding in lieu of property taxes as follows:

(A) Six percent in August.

(B) Twelve percent in September.

(C) Eight percent each month in October, November, December, January, and February.

(2) For the months of March to June, inclusive, a charter school's funding in lieu of property taxes shall be computed based on the amount of property taxes estimated to be received by the sponsoring local educational agency during the fiscal year, as reported to the Superintendent for purposes of the first principal apportionment. A sponsoring local educational agency shall transfer to each of its charter schools an amount equal to one-sixth of the difference between the school's estimated annual entitlement to funding in lieu of property taxes and the amounts provided pursuant to paragraph (1). An additional one-sixth of this difference shall be included in the amount transferred in the month of March.

(3) For the month of July, a charter school's funding in lieu of property taxes shall be computed based on the amount of property taxes estimated to be received by the sponsoring local educational agency during the prior fiscal year, as reported to the Superintendent for purposes of the second principal apportionment. A sponsoring local educational agency shall transfer to each of its charter schools an amount equal to the remaining difference between the school's estimated annual entitlement to funding in lieu of property taxes and the amounts provided pursuant to paragraphs (1) and (2).

(4) Final adjustments to the amount of funding in lieu of property taxes allocated to a charter school shall be made in February, in conjunction with the final reconciliation of annual apportionments to schools.

(5) Subdivision (a) and paragraphs (1) to (4), inclusive, do not apply for pupils who reside in, and are otherwise eligible to attend a school in, a basic aid school district, but who attend a charter school in a nonbasic aid school district. With regard to these pupils, the sponsoring basic aid school district

shall transfer to the charter school an amount of funds equivalent to the local control funding formula grant pursuant to Section 42238.02, as implemented by Section 42238.03, earned through average daily attendance by the charter school for each pupil's attendance, not to exceed the average property tax share per unit of average daily attendance for pupils residing and attending in the basic aid school district. The transfer of funds shall be made in not fewer than two installments at the request of the charter school, the first occurring not later than February 1 and the second not later than June 1 of each school year. Payments shall reflect the average daily attendance certified for the time periods of the first and second principal apportionments, respectively. The Superintendent may not apportion any funds for the attendance of pupils described in this subdivision unless the amount transferred by the basic aid school district is less than the local control funding formula grant pursuant to Section 42238.02, as implemented by Section 42238.03, earned by the charter school, in which event the Superintendent shall apportion the difference to the charter school from state funds.

(c) Notwithstanding subdivisions (a) and (b), for a pupil attending a county charter program school authorized pursuant to Section 47605.6 for whom the county office of education is not educationally responsible, the county charter program school may seek in-lieu property tax reimbursement from the pupil's school district of residence in an amount agreed upon by the county charter program school and the school district of residence.

SEC. 99. Section 47663 of the Education Code is amended to read:

47663. (a) (1) For a pupil of a charter school sponsored by a basic aid school district who resides in, and is otherwise eligible to attend, a school district other than a basic aid school district, the Superintendent shall apportion to the sponsoring school district an amount equal to 70 percent of the local control funding formula base grant computed pursuant to subdivision (d) of Section 42238.02, per unit of average daily attendance that would have been apportioned to the school district that the pupil resides in, and would otherwise have been eligible to attend.

(2) Notwithstanding paragraph (1), until the Superintendent determines that the school district the pupil resides in, and would otherwise have been eligible to attend, is funded pursuant to Section 42238.02 in the prior fiscal year, the Superintendent shall apportion, for average daily attendance pursuant to this article, the lesser of the amount calculated pursuant to paragraph (1) or 70 percent of the sum of the entitlements for the school district that the pupil resides in, and would otherwise have been eligible to attend, for the specified fiscal year as computed pursuant to paragraphs (1) to (4), inclusive, of subdivision (a), and paragraph (3) of subdivision (b), of Section 42238.03, divided by the average daily attendance for that fiscal year and then multiplied by the ratio of local control funding formula base grant funding computed pursuant to subdivision (d) of Section 42238.02 to the local control funding formula amount for the fiscal year computed pursuant to Section 42238.02.

(3) If the entitlements for the school district the pupil resides in, and would otherwise have been eligible to attend, as computed pursuant to paragraphs (1) to (4), inclusive, of subdivision (a), and paragraph (3) of subdivision (b), of Section 42238.03, include funding calculated pursuant to Article 4 (commencing with Section 42280) of Chapter 7 of Part 24 of Division 3 for a fiscal year, paragraph (2) shall not apply and the apportionment of state funds for the average daily attendance credited pursuant to this section for that fiscal year shall be calculated pursuant to paragraph (1).

(b) A school district that loses basic aid status as a result of transferring property taxes to a charter school or schools pursuant to Section 47635 for pupils who reside in, and are otherwise eligible to attend, a school district other than the school district that sponsors the charter school, shall be eligible to receive a pro rata share of funding provided by subdivision (a), with the proration factor calculated as the ratio of the following:

(1) The amount of property taxes that the school district receives in excess of its total base grant per unit of average daily attendance calculated pursuant to Section 42238.02, as implemented by Section 42238.03, before any transfers made pursuant to Section 47635, except for transfers in lieu of property taxes made for pupils who reside in, and would otherwise be eligible to attend, a school of the school district.

(2) The total amount in lieu of property taxes transferred pursuant to Section 47635 to the charter school or schools that it sponsors, except for transfers in lieu of property taxes made for pupils who reside in, and would otherwise be eligible to attend, a school of the school district.

(c) In no event shall the amount provided pursuant to this section exceed the amount in lieu of property taxes transferred on behalf of charter school pupils who do not reside in the school district, less the proportionate amount of base grant state aid provided pursuant to Section 42238.02, as implemented by Section 42238.03, that is attributable to the charter school pupils who do not reside in the school district.

(d) The Superintendent shall not apportion funds for the attendance of a pupil in a charter school of a nonbasic aid school district who resides in, and is otherwise eligible to attend school in, a basic aid school district unless the pupil is subject to the exceptions set forth in paragraph (5) of subdivision (b), and subdivision (c), of Section 47635.

(e) For purposes of this section, “basic aid school district” means a school district that does not receive from the state, for any fiscal year in which the subdivision is applied, an apportionment of state funds as described in subdivision (o) of Section 42238.02.

SEC. 100. Section 48310 of the Education Code is amended to read:

48310. (a) The average daily attendance for pupils admitted by a school district of choice pursuant to this article shall be credited to that school district pursuant to Section 46607. The attendance report for the school district of choice may include an identification of the school district of residence.

(b) Notwithstanding any other law, state aid for categorical education programs for pupils admitted under this article shall be apportioned to the school district of choice.

(c) (1) For a school district of choice that is a basic aid school district, the apportionment of state funds for average daily attendance credited pursuant to this section shall be 70 percent of the school district local control funding formula base grant computed pursuant to subdivision (d) of Section 42238.02, as implemented by Section 42238.03, that would have been apportioned to the school district of residence.

(2) Notwithstanding paragraph (1), until the Superintendent determines that the school district of residence is funded pursuant to Section 42238.02 in the prior fiscal year, the Superintendent shall apportion, for average daily attendance pursuant to this article, the lesser of the amount calculated pursuant to paragraph (1) or 70 percent of the sum of the entitlements for the school district of residence for the specified fiscal year as computed pursuant to paragraphs (1) to (4), inclusive, of subdivision (a), and paragraph (3) of subdivision (b), of Section 42238.03, divided by the average daily attendance pursuant to this article for that fiscal year and then multiplied by the ratio of local control funding formula base grant funding computed pursuant to subdivision (d) of Section 42238.02 to the local control funding formula amount for the fiscal year computed pursuant to Section 42238.02.

(3) If the entitlements for the school district of residence computed pursuant to paragraphs (1) to (4), inclusive, of subdivision (a), and paragraph (3) of subdivision (b), of Section 42238.03, include funding calculated pursuant to Article 4 (commencing with Section 42280) of Chapter 7 of Part 24 of Division 3 for a fiscal year, paragraph (2) shall not apply and the apportionment of state funds for the average daily attendance credited pursuant to this section for that fiscal year shall be calculated pursuant to paragraph (1).

(4) For purposes of this subdivision, the term “basic aid school district” means a school district that does not receive from the state, for a fiscal year in which this subdivision is applied, an apportionment of state funds as described in subdivision (o) of Section 42238.02.

(d) The average daily attendance of pupils admitted by a school district of choice pursuant to this article shall be credited to that school district for purposes of any determination under Article 2 (commencing with Section 17010) of Chapter 12 of Part 10 of Division 1 of Title 1 that uses an average daily attendance calculation.

SEC. 101. Section 48359.5 of the Education Code is amended to read:

48359.5. (a) For a school district of enrollment that is a basic aid school district, the apportionment of state funds for average daily attendance credited pursuant to this article shall be 70 percent of the school district local control funding formula base grant that would have been apportioned to the school district of residence pursuant to subdivision (d) of Section 42238.02. Apportionment of these funds shall begin in the second consecutive year of enrollment, and continue annually until the pupil graduates from, or is no longer enrolled in, the school district of enrollment.

(b) Notwithstanding subdivision (a), until the Superintendent determines that the school district of residence is funded pursuant to Section 42238.02 in the prior fiscal year, the Superintendent shall apportion, for average daily attendance pursuant to this article, the lesser of the amount calculated pursuant to subdivision (a) or 70 percent of the sum of the entitlements for the school district of residence for the specified fiscal year as computed pursuant to paragraphs (1) to (4), inclusive, of subdivision (a), and paragraph (3) of subdivision (b), of Section 42238.03, divided by the average daily attendance pursuant to this article for that fiscal year and then multiplied by the ratio of local control funding formula base grant funding computed pursuant to subdivision (d) of Section 42238.02 to the local control funding formula amount for the fiscal year computed pursuant to Section 42238.02.

(c) If the entitlements for the school district of residence computed pursuant to paragraphs (1) to (4), inclusive, of subdivision (a), and paragraph (3) of subdivision (b), of Section 42238.03, include funding calculated pursuant to Article 4 (commencing with Section 42280) of Chapter 7 of Part 24 of Division 3 for a fiscal year, subdivision (b) shall not apply and the apportionment of state funds for the average daily attendance credited pursuant to this section for that fiscal year shall be calculated pursuant to subdivision (a).

(d) For purposes of this section, “basic aid school district” means a school district that does not receive an apportionment of state funds as described in subdivision (o) of Section 42238.02 for a fiscal year in which this section may apply.

SEC. 102. Section 52315 of the Education Code is amended to read:

52315. (a) A visually impaired, orthopedically impaired, or deaf person who is not enrolled in a regular high school or community college program may attend a regional occupational center or regional occupational program pursuant to the requirements described in Section 52314.5. Additional special instruction and support services shall be provided to these persons.

(b) If the Superintendent determines that there would be a duplication of effort to these impaired persons if a regional occupational center or regional occupational program provided services to them, in that other programs exist that are available to them, the Superintendent may disapprove of the curriculum to provide programs to these impaired persons pursuant to Section 52309.

SEC. 103. Section 52319 of the Education Code is amended to read:

52319. (a) Whenever the establishment and maintenance of a regional occupational center by two or more school districts has been undertaken pursuant to an agreement entered into in accordance with the provisions of Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code, and the terms of the agreement so authorize, provision may be made for the issuance of bonds for construction and other capital expenditure for the regional occupational center. An election shall be called, held, and conducted in the manner provided in Chapter 3 (commencing with Section 5300) of Part 4 of Division 1 of Title 1 on the question of the approval of the issuance of such bonds. If, at the election,

the requisite number of voters cast their ballots in favor of the issuance of bonds, the bonds shall be issued and sold in the manner provided by law for the issuance and sale of bonds of a high school district. The issuance and sale of such bonds shall be deemed to be an act of the governing board of a high school district.

(b) The total amount of bonds issued shall not exceed one-half of 1 percent of the taxable property of the area served by the regional occupational center as shown by the last equalized assessment roll of the county or counties that the center serves.

(c) Bonds issued and sold pursuant to this section shall be retired from proceeds of the tax under the provisions of Section 52317.

SEC. 104. Section 52324 of the Education Code is repealed.

SEC. 105. Section 52324.5 of the Education Code is repealed.

SEC. 106. Section 52327 of the Education Code is amended to read:

52327. (a) The governing board of a school district maintaining a regional occupational center may establish a bookstore on school district property for the purpose of offering for sale textbooks, workbooks, supplementary textbooks and workbooks, school supplies, stationery supplies, confectionary items, and related auxiliary school supplies and services.

(b) The governing board of the school district may establish a bookstore fund into which the proceeds derived from the operation of a regional occupational center bookstore may be transferred. Moneys in a bookstore fund shall be deposited or invested in one or more of the following ways:

(1) Deposits in a bank or banks, or other institution, whose accounts are federally insured.

(2) Investment certificates or withdrawable shares in state-chartered savings and loan associations and savings accounts of federal savings and loan associations, provided the associations are doing business in this state and have their accounts insured by the Federal Savings and Loan Insurance Corporation.

(3) Purchase of United States securities pursuant to subdivision (a) of Section 16430 of the Government Code.

(c) The governing board of the school district shall designate an employee or official of the school district to act as trustee for funds derived from the operation of a regional occupational center bookstore and to receive those funds in accordance with procedures established by the board.

(d) All necessary expenses, including salaries, wages and costs of capital improvements may be deducted from the revenue of a regional occupational center bookstore. Net proceeds from the operation of a regional occupational center bookstore shall be used for the general benefit of the student body as determined by the governing board of the school district. Income from a regional occupational center bookstore shall not be included in the school district funding allocation. Funds derived from the operation of a regional occupational center bookstore shall be subject to audit pursuant to Section 41020.

SEC. 107. Section 52329 of the Education Code is amended to read:

52329. (a) The governing board of a school district located in a county, or the county superintendent of schools maintaining a regional occupational program in a county, any of the boundaries of which are contiguous to the State of Arizona, may enter into an agreement with a public or private educational agency located in the State of Arizona to provide to pupils living in the school district and enrolled in a regional occupational program, career technical or technical training which, due to geographical isolation, is not otherwise available to these pupils.

(b) The program of training at the public or private educational agency shall conform to the California State Plan for Career Technical Education.

SEC. 108. Section 52334 of the Education Code is amended to read:

52334. (a) Indirect costs charged to regional occupational centers and programs may not exceed the school district or county office of education, as appropriate, prior year indirect cost rate as approved by the department.

(b) The indirect costs charged by county offices of education and school districts that provide regional occupational centers and programs services on behalf of the county office of education or joint powers authority, when added together, may not exceed the indirect cost rate approved by the department for the county office of education or the school district, whichever is higher.

SEC. 109. Section 52335 of the Education Code is amended to read:

52335. For purposes of this article, "ROC/P" means regional occupational center or program.

SEC. 110. Section 52335.1 of the Education Code is repealed.

SEC. 111. Section 52335.12 of the Education Code is amended to read:

52335.12. (a) As a condition of receiving state or federal funds, the regional occupational center or program shall report annually to the department the academic and workforce preparation progress of the secondary pupils enrolled in the center or program. Indicators to measure that progress shall include, but are not limited to, the California Assessment of Student Performance and Progress, established pursuant to Article 4 (commencing with Section 60640) of Chapter 5 of Part 33; the high school exit examination, pursuant to Chapter 9 (commencing with 60850) of Part 33; and other indicators of academic and workforce preparation success, such as reduced dropout rates, workforce preparation, increased matriculation into postsecondary educational institutions, and other measures as determined by the department.

(b) This section shall become effective only when the longitudinal data on pupils enrolled in regional occupational centers and programs can be disaggregated from the California longitudinal pupil achievement data system database, established pursuant to Chapter 10 (commencing with Section 60900) of Part 33.

SEC. 112. Section 52335.2 of the Education Code is repealed.

SEC. 113. Section 52335.3 of the Education Code is repealed.

SEC. 114. Section 52335.4 of the Education Code is repealed.

SEC. 115. Section 52335.5 of the Education Code is repealed.

SEC. 116. Section 52335.6 of the Education Code is repealed.

SEC. 117. The heading of Article 7 (commencing with Section 60117) of Chapter 1 of Part 33 of Division 4 of Title 2 of the Education Code is amended to read:

Article 7. Public Hearings, Instructional Materials

SEC. 118. Section 60117 of the Education Code is repealed.

SEC. 119. Section 63001 of the Education Code is amended to read:

63001. A school district that, in a fiscal year, receives an apportionment for a program specified in Section 63000 shall use no less than 85 percent of that apportionment at schoolsites for direct services to pupils.

SEC. 120. (a) The sum of five billion nine hundred ninety-four million four hundred seventeen thousand dollars (\$5,994,417,000) is hereby appropriated from the General Fund to the Superintendent of Public Instruction and shall be allocated pursuant to the calculation in subdivision (b) of Section 42238.03 of the Education Code.

(b) For purposes of making the computations required by Section 8 of Article XVI of the California Constitution, the appropriations made by subdivision (a) shall be deemed to be “General Fund revenues appropriated for school districts,” as defined in subdivision (c) of Section 41202 of the Education Code, for the 2015–16 fiscal year, and included within the “total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B,” as defined in subdivision (e) of Section 41202 of the Education Code, for the 2015–16 fiscal year.

SEC. 121. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.